

LOCAL GOVERNMENT IN THE NORDIC AND BALTIC COUNTRIES

AN OVERVIEW



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LIST OF ABBREVIATIONS

AFLRA	Association of Finnish Local and Regional Authorities
ALAL	Association of Local Authorities in Lithuania
CEMR	Council of European Municipalities and Regions
CEEP	European Centre of Employers and Enterprises providing Public Services
CLRAE	Congress of Local and Regional Authorities of the Council of Europe
EEA	European Economic Area
EFTA	European Free Trade Area
GDP	Gross Domestic Product
KS	Norwegian Association of Local and Regional Authorities (formerly Kommunenes sentralforbund)
LALRG	Latvian Association of Local and Regional Governments
LGDK	Local Government Denmark
NUTS	Nomenclature of territorial units for statistics
PPS	Purchasing Power Standard
R&D	Research and Development
SALAR	Swedish Association of Local Authorities and Regions

INTRODUCTION

THIS BOOKLET IS intended to give readers an overview of the key features of local government in eight Nordic and Baltic countries: Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Poland and Sweden. Although Poland is not strictly speaking one of the Baltic countries, it is included here because of its relevance to the region.

Each country has a distinct history and tradition of local government. In some countries local self-government dates back to the Middle Ages and has long been part of the country's constitution. In other countries local self-government is a more recent phenomenon.

Regardless of its form and history, local self-government is evident in all eight countries and contributes in various ways to democracy, public participation and improved service delivery.

This booklet reviews the structure and functions of local government in each country, the legal framework and supervisory arrangements, and finances including local government expenditure and revenue sources. Given the importance of the European Union to these countries, each chapter ends with a review of relations between local governments and the European Union. The booklet does not make direct comparisons between countries but aims to provide a standardised overview that allows readers to draw their own conclusions.

The booklet was prepared by SKL International, a subsidiary of the Swedish Association of Local Authorities and Regions. SKL International manages projects in the areas of local self-government, democracy, decentralisation and local development (see <http://www.sklinternational.se>). It works directly with politicians and government officials working at national and sub-national levels. SKL International also hosts a number of study visits each year in Sweden and in neighbouring countries with a view to learning about local democracy and decentralised systems of government. It is hoped that this booklet will give SKL International's partners a good overview of the key features of these countries and contribute to a better understanding of local governance in the region.

DENMARK

DENMARK HAS A LONG HISTORY of local self-government, dating back to the Middle Ages and with constitutional protection since 1849. Boundary reforms in 1970 and most recently in 2007 have reduced the number of municipalities to 98 and replaced the former 13 county authorities with five regions.

Municipalities are responsible for most welfare services, including primary education, job centres and social assistance benefits (for unemployed people not part of an unemployment insurance scheme). The regions' chief responsibility is health care. While they have directly elected councils,

the regions do not (unlike the counties which they replaced) have formal local authority status or tax-raising powers.

Local government in Denmark is powerful, accounting for 36.5 per cent of GDP and almost 24 per cent of total employment. Municipalities and regions have a large measure of independence from the government when it comes to fulfilling their mandate, although autonomy in setting local tax rates has been reduced in practice in recent years. County governors have wide-ranging powers to check and enforce the legality, but not the reasonableness or efficiency, of local government actions.



Local authorities in Denmark have substantial responsibilities in social protection, including care for the elderly and disabled.

PHOTO iStock.com/KatarzynaBialasiewicz



BASIC FACTS

Land area:	42 924 km ²
Population (2015):	5.66 million
Population density:	132 inhabitants/km ²
Government type:	Constitutional monarchy
GDP per capita (PPS):	€ 34 200 (in 2014)

98 MUNICIPALITIES (kommuner)

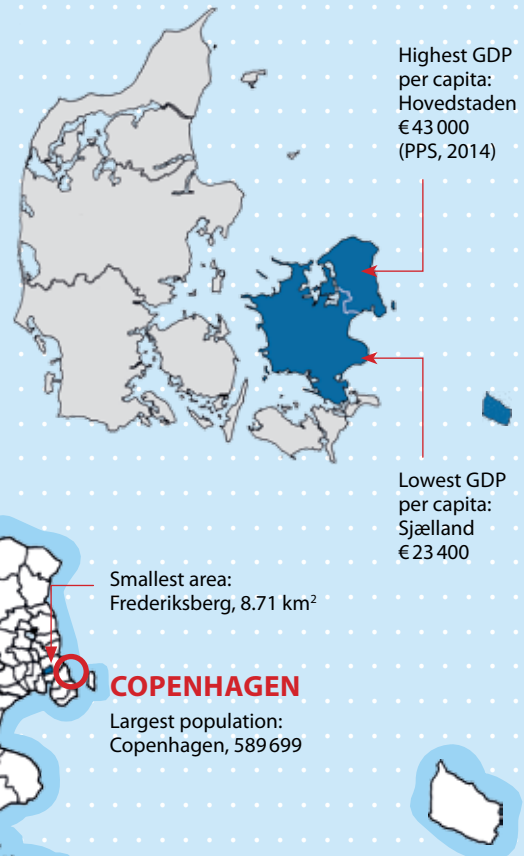
Average population: 58 154



Largest area:
Ringkøbing-Skjern, 1 470 km²

Smallest
population:
Læsø, 1 817

5 REGIONS (regioner)



Highest GDP
per capita:
Hovedstaden
€ 43 000
(PPS, 2014)

Lowest GDP
per capita:
Sjælland
€ 23 400

Smallest area:
Frederiksberg, 8.71 km²

COPENHAGEN

Largest population:
Copenhagen, 589 699

Local Government Denmark (LGDK) represents the interests of municipalities vis-à-vis the government and, as an employer's association, vis-à-vis the trade unions. LGDK's executive committee consists of local elected representative and has a staff of around 400. A separate association, Danish Regions, represents the five regions, with a similar structure and a staff of 170.

FUNCTIONS

98 municipalities

- Primary education
- Child care
- Care for the elderly
- Integration of refugees and immigrants
- Environmental protection and waste management
- Assistance to the unemployed
- Economic development
- Culture and sports

5 regions

- Health care
- Hospital
- Health insurance
- Mental health treatment
- Social services and special education
- Regional development
- Business promotion
- Tourism
- Nature and environment
- Employment
- Culture
- Transport
- Soil pollution

Source: CEMR

Local democracy

Both municipal and regional councils are directly elected for a fixed term of four years. The **council** (*kommunalbestyrelse / regionsråd*) elects a **chairperson** for the full term from among its members. The chairperson also serves as head of the administration.

In municipalities, the chairperson has the title **mayor** (*borgmester*), and also chairs the finance committee (through which all business with a financial aspect must pass). The mayor has only limited powers to make decisions on behalf of the full council, and all members have the right to bring a matter before the full council. The council may also set up other **standing committees** in other areas, which manage day-to-day administrative matters and prepare decisions for the full council.

Legal framework and supervision

Section 82 of the 1953 Constitutional Act provides that 'The right of municipalities to manage their own affairs independently, under State supervision, shall be laid down by statute'. The Constitution thus protects municipalities, although it does not guarantee them tax-raising powers or place explicit restrictions on state supervision, nor does it apply to regions (which, unlike the counties before them, are not municipalities in the meaning of the Constitution).

The Law on Municipal Administration (*Lov om kommunernes styrelse*) sets out general rules for the council, committees, the mayor, local budgets and state supervision. Local authority functions as listed above are set out in a range of other sectoral legislation.

State Administrations in each of the five regions monitor local authorities' general compliance with the law relating to public authorities, with the exception of employment law and specific areas where other state authorities have supervisory responsibilities, for example health or education. In cases of a clear breach of the law, the State Administrations may annul decisions or fine council members for failure to act.

Cases concerning good administrative practice, fairness, municipal personnel, and so on may be

heard by the Parliamentary Ombudsman or the private courts in matters relating to private law.

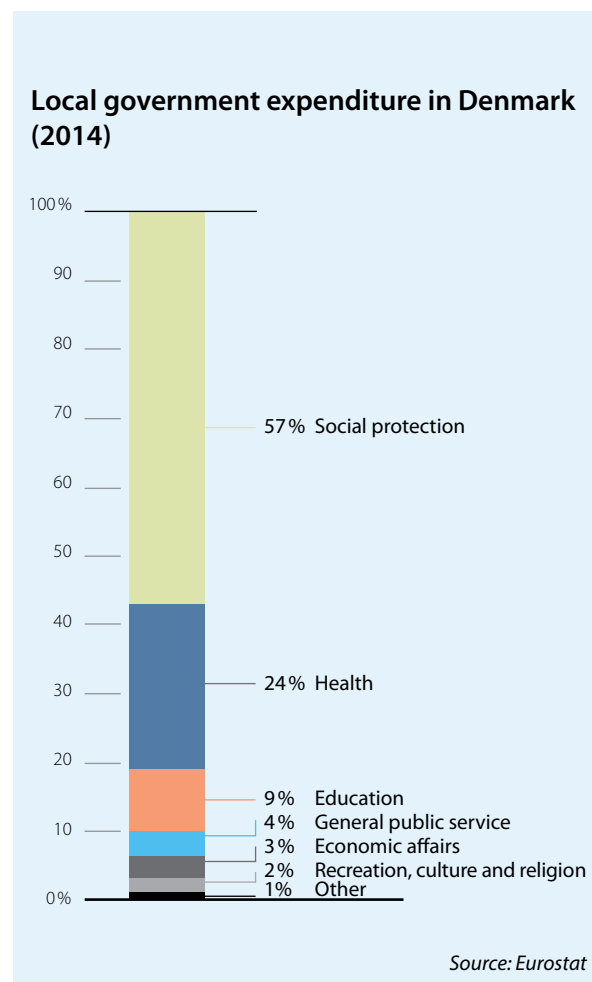
The Law on municipal administration also requires local authorities to have their financial accounts independently audited.

Finance

Local government expenditure, at 36.5 per cent of GDP or 64.1 per cent of total public expenditure, is the highest in the EU. As the figure below suggests, this is partly because local authorities have substantial responsibilities in social protection, including various social benefit payments as well as care for the elderly and disabled.

The greater part of municipal revenues comes from taxation, and in particular local income tax – an average of 24.9 per cent of inhabitants' taxable income in 2014. Municipalities are free to determine local taxes in principle, although there are limits in practice. Government grants are reduced automatically if the overall municipal tax level agreed between Local Government Denmark and the government is exceeded, and in the last few years, municipalities that reduce taxes have been rewarded with additional grants.

A complex system of grants combines a block grant, partial reimbursements for certain responsibilities (including social assistance transfers) and



Municipalities and regions are key players in Denmark's regional growth forums that determine priorities for regional and social programmes.

PHOTO pixabay

equalisation. Equalisation is based on municipalities' so-called structural deficit or surplus – the difference between their spending needs and tax receipts at the average tax rate.

According to figures from the Ministry of Social Affairs and the Interior, taxation accounted for over half (55 per cent) of local revenues in 2013. Of this, 87 per cent was income tax, and most of the rest land and property tax.

Grants and current revenues (including payments for tax-financed services such as elderly and disabled care and preschool education) each accounted for 21 per cent of local revenues. Services

that are entirely user-financed, such as water supply and waste disposal, are not included in these figures.

Borrowing by local authorities in Denmark is subject to strict oversight by the state and allowed only in limited areas, such as investments in public utilities, social housing or energy saving measures in buildings.

Regional revenues consist entirely of grants, 81 per cent from the government, 19 per cent from municipalities (in 2013). These funds are earmarked for healthcare, social and special education, and regional development.



A recent survey found that 41 percent of Danish labour law was affected by EU directives, including rules on employment contracts, working time and holidays.

PHOTO iStock.com/Miroslav Georgijevic

EU relations

Of all the countries surveyed here, Denmark has the longest experience of EU membership, having joined in 1973. In 2014, Local Government Denmark (LGDK) updated its analysis of the influence of the EU on municipalities, which showed that almost half of the items on municipal council agendas were affected by EU legislation or other agreements and objectives (see box).

As a rich EU member state without the sparsely populated northern regions of some of its neighbours, Denmark's share of the European Structural and Investment Funds is low, with an allocation of € 246 per capita for the 2014–20 period. Nevertheless, municipalities and regions are key players in the regional growth forums that determine priori-

ties for regional and social programmes, as well as in other areas of EU funding such as research and development (Horizon 2020).

Both LGDK and Danish Regions have Brussels offices and are represented in a number of organisations at EU level, such as the Council of European Municipalities and Regions (CEMR), the European Centre of Employers and Enterprises providing Public Services (CEEP), and the Council of Europe's Congress of Local and Regional Authorities (CLRAE). The two associations serve as the secretariat for Denmark's delegation to the Committee of the Regions, which consists of nine members, with two-thirds from municipal councils and one-third from regional councils.

THE IMPACT OF THE EU ON LOCAL AUTHORITIES

To assess the impact of EU membership on municipalities, Local Government Denmark (LGDK) examined 40 municipal agendas from 10 municipalities, one large and one small from each of Denmark's five regions. It also reviewed a compendium of labour market rules and the collective agreements between LGDK and labour unions.

EU legislation has a direct impact in areas such as public procurement, environmental impact assessments or drinking water standards. In others, including education, social affairs or climate, EU reports and recommendations influence national action plans, which may in turn have a political impact at municipal level.

Almost half (47 per cent) of the surveyed agenda items were influenced by the EU, whether legally and/or politically. Further, 41 per cent of Danish labour law (particularly rules on maternity leave, employment contracts, working time, holidays, etc.) is based on at least one EU directive, and 39 per cent of LGDK's collective agreements are influenced by EU directives or framework agreements.

ESTONIA

WHILE LOCAL SELF-GOVERNMENT HAS ROOTS dating back to the Russian Empire and before, local authorities in the Republic of Estonia as such emerged following independence in 1918. They were effectively abolished during the communist era from 1940, but rapidly re-established in the run-up to the fall of the Soviet Union. Local elections were held in December 1989 and the 1992 Constitution dedicated a chapter to local government.

From 1989 there were two levels of local self-government – counties and municipalities (both city and rural). In 1994 the county administrations were absorbed into central government, and at the

same time, a process of voluntary amalgamation for municipalities began, with the state offering financial incentives for those choosing to merge. While the total has fallen from 254 in 1995 to 213 in early 2016, a number of extremely small rural municipalities remain, although these usually cooperate with larger neighbours in providing services. In December 2015, the government published a draft bill on a new, more comprehensive reform (see box overleaf).

Local authorities play a significant role, particularly in the area of education, and they enjoy substantial legal protection. They are, however, heavily dependent on the state for funding, with the



Despite recent amalgamations, a number of extremely small rural municipalities remain in Estonia. These usually cooperate with larger neighbours in providing services.

PHOTO iStock.com/prosiaczek

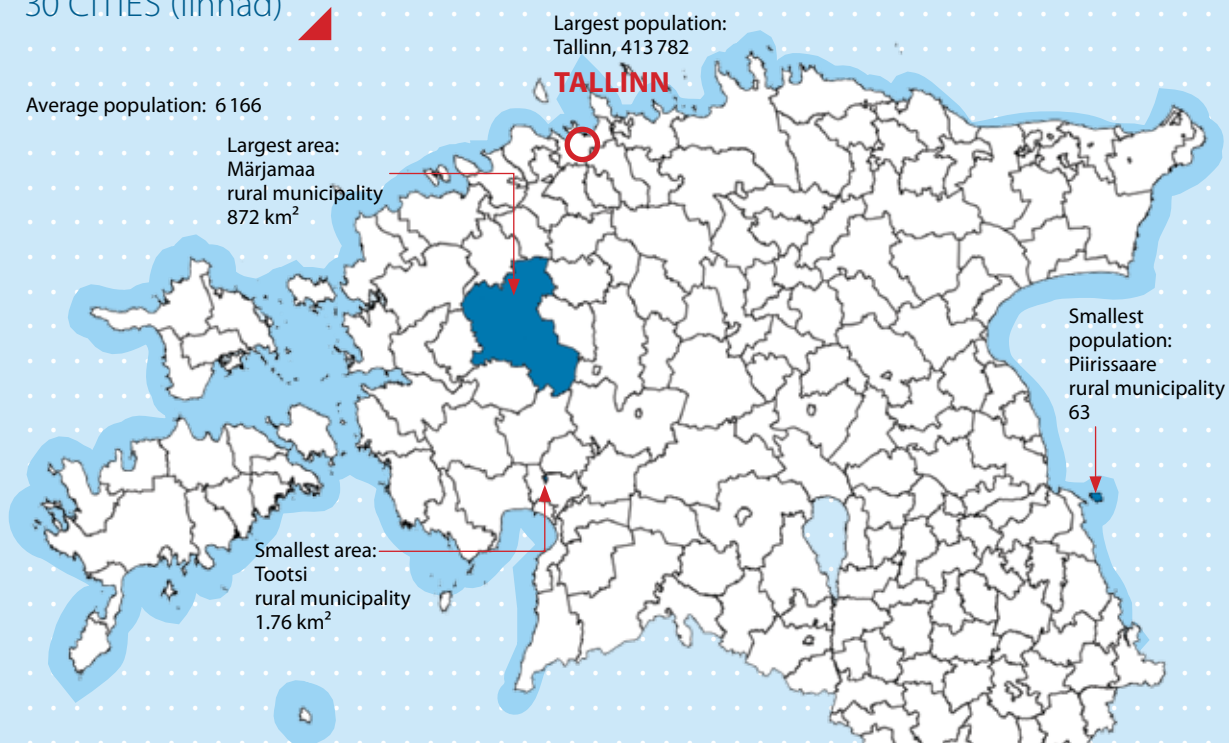


BASIC FACTS

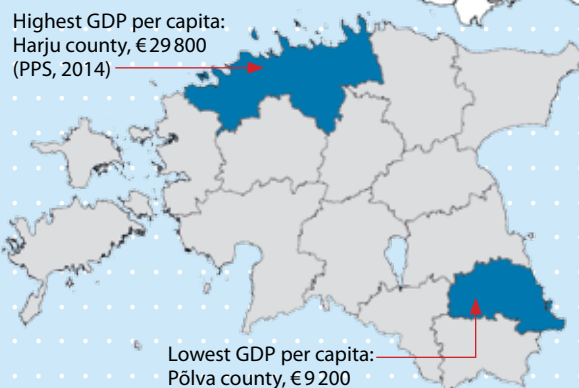
Land area:	43 432 km ²
Population (2015):	1.31 million
Population density:	30 inhabitants/km ²
Government type:	Republic
GDP per capita (PPS):	€ 20 900 (in 2014)

183 RURAL MUNICIPALITIES (vallad) 30 CITIES (linnad)

Average population: 6 166



15 COUNTIES (maakonnad) *Not self-governing*



bulk of their revenue coming from shared personal income tax (levied at a centrally set flat rate) and grants. State supervision concerns both 'legality and purposefulness'.

Founded in 1920 and 1921 respectively, the Association of Estonian Cities and the Association of Rural Municipalities of Estonia were re-established

in 1990 with the aim of representing the common interests of cities and rural municipalities and promoting cooperation among members. The associations have formed a Local Government Associations Cooperation Assembly, which the government consults annually on budgetary matters.

ADMINISTRATIVE-TERRITORIAL REFORM

Several attempts at territorial reform have been made in Estonia since the 1990s, including a 2004 Act that paved the way for the voluntary mergers of recent years. However, as in several other countries that have tried a voluntary approach (e.g. Finland recently, or Sweden in the 1960s), the results have not been far-reaching enough to resolve the issues that reform was supposed to address.

In 2015, the Estonian government proposed a new two-stage reform to take effect in time for the next local elections in October 2017. In order to guarantee high-quality public services, the draft bill sets a minimum population criterion of 5 000. The first stage of the reform is voluntary, with financial incentives in the form of state grants for those choosing to merge. Compensation is also provided for council chairmen and mayors whose mandate ends as a result of mergers. For municipalities with population below 5 000 (and possibly others) that do not agree to merge voluntarily, the government intends to initiate mergers in early 2017, without financial compensation.

See <http://haldusreform.fin.ee/> for further details (in Estonian)

FUNCTIONS

213 municipalities

- Education
- Social welfare
- Health services
- Culture, leisure and sports
- Social housing
- Urban and rural planning
- Tourism
- Public transport
- Water supply, sewage, public lighting and central heating
- Environment
- Waste collection and disposal
- Road and cemetery maintenance
- Local taxes

Source: CEMR

Local democracy

Municipal councils (*volikogud*) are directly elected for a term of four years. The council elects its **chairman** (*volikogu esimees*), and may form both standing and ad hoc **committees** according to its own statutes; only an audit committee is required by law.

The council appoints the **mayor** (*linnapea* in cities, *vallavanem* in rural municipalities) and approves the mayor's formation of the local executive board, or **government** (*valitsus*). The mayor is thus an official who serves as head of the municipal administration, although career politicians often occupy this position. If a council member is appointed mayor or a member of the government or to a remunerated position within the administration, his or her authority as council member is suspended.

Legal framework and supervision

The 1992 Constitution gives substantial protection to local self-government. A dedicated Chapter XIV states, among other things, that 'All local issues are resolved and regulated by local authorities, which operate independently in accordance with the law', and that responsibilities may only be assigned to them in accordance with the law or with their consent. It also states that local authorities have independent budgets and the right to impose and collect taxes and fees, and that 'Expenditures related to the responsibilities assigned to local authorities by law are financed by the State Budget.'

The 1993 Local Government Organisation Act sets out the powers and functions of local authorities, arrangements for councils and governments, and general provisions on matters such as audit and supervision. It grants municipalities the power, for example, to engage in economic activities or



Estonia is considered a leader in e-governance, providing local services such as the e-School system, which allows parents to check their children's homework, grades and progress over the internet.

PHOTO iStock.com/Willsie

inter-municipal cooperation. It also requires them to prepare a development plan and budget strategy and to form an audit committee composed of council members. Separate acts regulate local authority budgets, elections, associations and territorial division.

As regards supervision, the Constitution stipulates that oversight of local authority activities is provided by law. The Local Government Organisation Act specifies that the county governor, the National Audit Office and the Chancellor of Justice

are responsible for supervision and inspection, and that supervision concerns both 'legality and purposefulness'. County governors in particular may monitor municipalities' performance of state-assigned functions, but they may not overturn measures, only suggest improvements and if necessary appeal to higher instances.

Finance

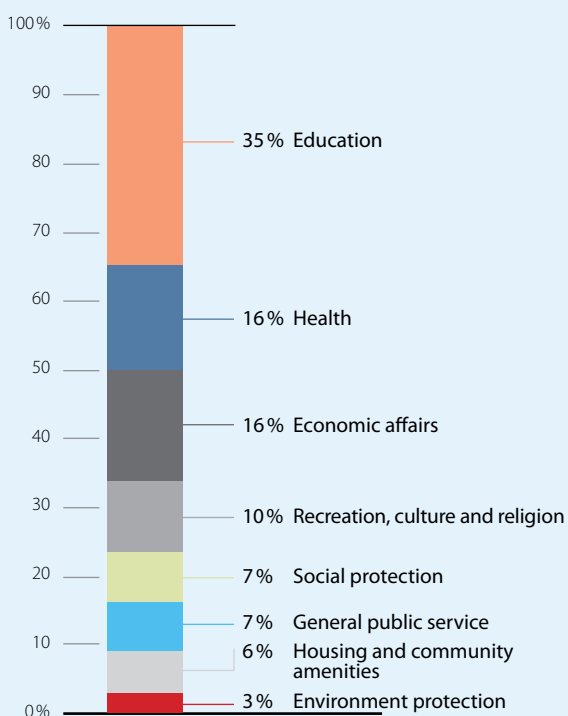
Local government expenditure is below the EU average in terms of GDP (at 9.2 per cent) but slightly above in terms of public expenditure (24.2 per cent), which reflects the small size of the Estonian public sector as a whole. Education – including both primary and secondary schools – is the largest item. Health care is also a municipal responsibility, but provided since 2001 through public limited companies or foundations.

According to figures from the Ministry of Finance, 61.2 per cent of local revenue in 2014 came from taxation, the bulk of this from shared personal income tax. The tax rate is set centrally and municipalities receive a fixed proportion of their residents' taxable income (11.4 per cent in 2014). They do not have any say over the income tax rate, although they do have freedom within limits to set rates for land tax and certain other local taxes.

Government grants accounted for 26 per cent of local revenue in 2014. Of these, 63.7 per cent took the form of a block grant and 15.8 per cent were earmarked for particular purposes. A financial equalisation fund, which compensates municipalities whose expected service costs exceed their revenue base, accounts for the remaining 20.5 per cent.

The Local Government Financial Management Act places strict limits on local deficits and debt. It also provides for local government associations to agree with the government on a target for the overall local government deficit and to agree with their members on how the target should be distributed. More generally, the government consults the associations' Cooperation Assembly annually on matters such as tax policy and local cost bases, before submitting the budget to parliament.

Local government expenditure in Estonia (2013)



Source: Eurostat

EU relations

Estonia joined the EU in 2004 and is the largest recipient of EU structural funds in per capita terms, with an allocation of € 3 363 for the period 2014–20. The funds have had a major impact on local infrastructure such as water treatment and waste management facilities. However, they are managed by the central authorities, with consultation but relatively little involvement of local authority associations, and smaller municipalities find it administratively and financially challenging to prepare EU-funded projects.

The Association of Estonian Cities and the Association of Rural Municipalities of Estonia opened a joint Brussels office in 2005 and serve as the secretariat for Estonia's delegation to the Committee of the Regions. This consists of seven members (four locally elected representatives from cities, three from rural municipalities) and seven alternates (three from cities, four from rural municipalities). The associations are also represented in organisations such as CEMR, CLRAE, and the Baltic Sea States Sub-Regional Cooperation.



EU structural funds have had a major impact on local infrastructure in Estonia, such as water treatment and waste management facilities.

PHOTO Shutterstock.com/Avatar_023

FINLAND

FINLAND HAS A LONG TRADITION of local government, stretching back to the Middle Ages and through the Swedish and Russian Empire periods. Following independence in 1917, municipal self-government was enshrined in the 1919 Constitution, although functions remained limited. With the advent of the welfare state, municipalities took on more responsibility for public services, albeit under the tutelage of ministries. Since the late 1980s, the trend has been towards greater local autonomy, with reformed municipal finances and reduced state regulation.

In recent years the government has promoted

territorial reform by requiring small municipalities to organise health and social services jointly, and by providing financial incentives to those willing to merge. As a result, the number of municipalities has declined from 448 in 2001 to 313 as of 1 January 2016, although a number of very small municipalities remain, especially in the archipelago and in Swedish-speaking areas.

Finland also has 19 regions with limited self-governing functions in the fields of regional development, planning, and promotion of regional interests. However, with the exception of Kainuu province and the autonomous province of Åland,



Due to territorial reforms the number of municipalities in Finland has declined in the past 15 years. Yet a number of very small municipalities remain, especially in the Finnish archipelago.

PHOTO Leif Thorin



BASIC FACTS

Land area:	303 892 km ²
Population (2015):	5.47 million
Population density:	18 inhabitants/km ²
Government type:	Republic
GDP per capita (PPS):	€ 30 300 (in 2014)

313 MUNICIPALITIES
(kunta / kommuner)

Average population: 17 528

Largest area:
Inari, 15 054 km²

19 REGIONS
(maakunta / regioner)

*Councils not directly elected except
in Åland and Kainuu*

Smallest
population:
Sottunga
Åland
97

Smallest area:
Kauniainen
5.89 km²

HELSINKI

Largest
population:
Helsinki, 628 834

Lowest
GDP
per capita:
Kainuu,
€ 20 900

Highest GDP per capita:
Helsinki-Uusimaa
€ 39 900
(PPS, 2013)

the regional councils are composed of municipal representatives, not directly elected. The state also has Regional State Offices and other agencies at this level.

Finnish municipalities have a high degree of autonomy in both fiscal and legal terms. They are the chief provider of welfare services, including secondary health care (usually assigned to higher levels of government in other countries). However, a stagnant economy and increasing costs due to an ageing population have strained local finances in recent years, leading to higher taxes and borrowing, and a government-imposed ceiling on municipal deficits.

The Association of Finnish Local and Regional Authorities (AFLRA) represents municipal interests and provides services to them and to joint authorities, which include the regional councils, hospital districts and other bodies set up for specific purposes within health care and education. AFLRA also includes the Commission for Local Authority Employers, which serves as an employers' organisation.



FUNCTIONS

317 municipalities

- Health care (primary, secondary, and dental services)
- Social services (child day care, services for the aged and the disabled)
- Education (pre-school, primary, secondary, vocational training, adult education and libraries)
- Culture and leisure
- Sports
- Territorial planning
- Building and maintenance of technical infrastructure and environment (roads, energy, water and sewage, waste, harbours and public transport)
- Business and employment
- Independent taxation rights and finances

Kainuu region

- Social and welfare services
- Health care
- Education (shared with municipalities)

Åland autonomous province

- Education
- Culture
- Police
- Health care
- Social affairs
- Employment

Source: CEMR

Finnish municipalities are the chief provider of welfare services, including secondary health care and dental services, which are usually assigned to higher levels of government in other countries.

PHOTO iStock.com/svetikd

Local democracy

The **municipal council** (*kunnanvaltuusto / kommunfullmäktige*) is directly elected for a four-year term. The council chooses the members of its **board** (*kunnanhallitus / kommunstyrelse*) in proportion to the different parties' share of council seats. The council's executive consists of the board and an appointed administrative staff.

Traditionally, Finnish municipalities do not have mayors, and in most cases the council appoints a **municipal manager** (*kunnanjohtaja / kommundirektör*) to head the administration. However, a change in the Local Government Act in 2006 allowed municipal councils instead to choose an elected representative as **mayor** (*pormestari / borgmästare*) to head the administration and chair the executive board. The cities of Tampere and Pirkkala have opted for this 'strong mayor' model.

The council may establish committees under the municipal board to deal with particular areas of responsibility such as health social and health care services, education, urban planning, the environment, and cultural and leisure services.

GENDER EQUALITY QUOTAS

Since 1995, Finland's Act on Equality between Women and Men has included gender equality quotas that apply to municipal boards, committees and inter-municipal cooperation bodies. The proportion of both men and women in such bodies must be at least 40 per cent.

However, the provisions do not apply to elected councils. In the 2012 municipal elections, the share of female candidates was 38.8 per cent, and the share of female elected councillors 36.2 per cent.

Legal framework and supervision

Finland's 1999 Constitution provides clear guarantees for local self-government. Section 121 states that 'Finland is divided into municipalities, whose administration shall be based on the self-government of their residents'. It also grants municipalities the right to levy tax.

The 1995 Local Government Act sets out general functions and arrangements for elections, finances, inter-municipal cooperation and so forth. Municipalities have a duty 'to promote the welfare of their residents and sustainable development in their area'. They have a general power to act 'by virtue of their autonomy', but most of their functions as listed above are laid down in sectoral legislation. A study by the Finance Ministry in 2013 counted 535 statutory functions, which included everything from drawing up a regional plan to sharing the operating costs of polytechnics.

The Finance Ministry supervises municipalities' activities and finances, and ensures that account is taken of local self-government in preparing legislation that affects municipalities. Upon complaints, the Regional State Offices (branches of central government) may investigate whether municipalities have acted according to the law. They do not have the power to overturn municipal decisions, but where the law has clearly been breached they can issue an injunction obliging a municipality to fulfil its legal responsibilities or abstain from unlawful actions.

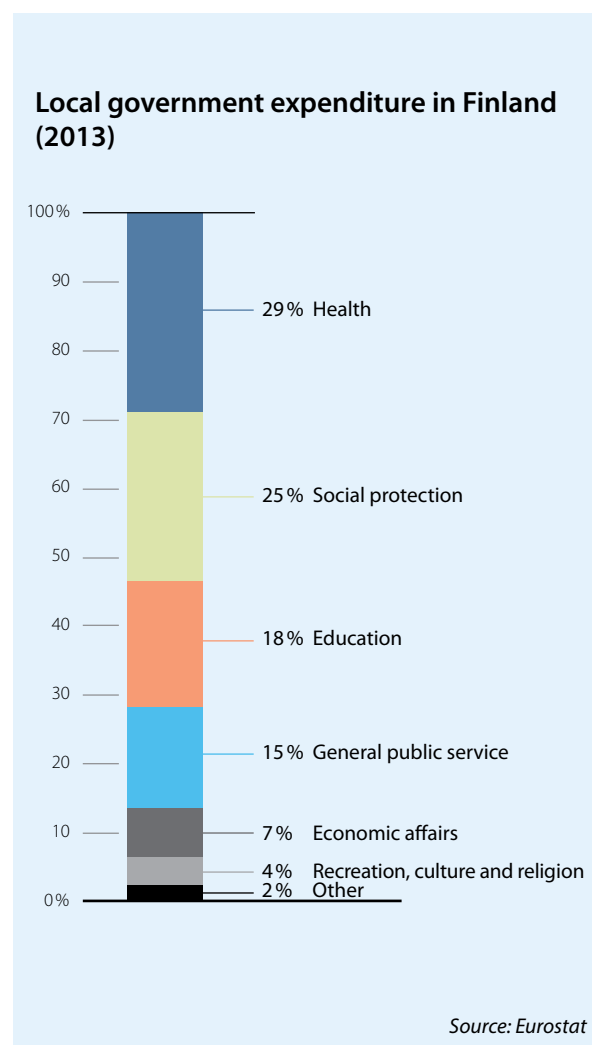
Ultimately, the administrative courts rule on the legality of municipal actions, whether in proceedings brought by an affected party or, in the case of general municipal functions, by any resident. In addition, the Parliamentary Ombudsman and the Chancellor of Justice have jurisdiction over the exercise of all public power. The Ombudsman may issue a reprimand, make a recommendation or bring a criminal case if an official or authority is found to have contravened the law.

The Local Government Act requires the municipal council to establish an audit committee, of which at least the chair and vice chair must be council members. This assesses whether the council

has achieved its operational and financial targets and must also address the financial outlook in the event of an uncovered deficit.

Finance

Local government expenditure in Finland represents 23.9 per cent of GDP or 41 per cent of total public expenditure. Health care, social protection (including care for the elderly and disabled) and education together account for over 70 per cent of local budgets.



According to figures from Statistics Finland, just over half of municipal revenue in 2014 came from taxes, most of this (86 per cent) from income tax. Together with Sweden, Finland is one of the few countries where municipalities are free to set the basic income tax rate for their inhabitants. In 2014 tax rates ranged from 16.5 to 22.5 per cent, with an average of 19.7 per cent.

Operating revenues (including sales, fees and various state grants for specific services) amounted to just over 20 per cent of total revenue. A general government grant known as the 'state share' accounted for just under 20 per cent of revenue. This is determined annually and represents central government's responsibility for basic services and for education and cultural activities. It is based on factors such as the number of inhabitants, age structure and tax revenue capacity, and therefore includes elements of both cost and revenue equalisation.

Low economic growth and increasing costs due to an ageing population have put increasing strain on municipal finances in recent years, leading to higher local taxes and borrowing. In 2015 the government introduced a new ceiling on municipal deficits, which from 2019 may not exceed 0.5 per cent of total production. At the same time, the government has reaffirmed the 'financing principle': that new or expanded municipal responsibilities should be fully covered by higher government grants.

EU relations

In 2014, almost two decades after Finland joined the EU, the Association of Finnish Local and Regional Authorities (AFLRA) carried out a study of how membership has affected municipalities. This found that, of the 535 statutory functions listed by the Ministry of Finance, the EU influences 63 per cent, whether directly (through EU regulations and directives) or indirectly (e.g. through EU strategies or programmes). On a sample of 10 local council agendas, 53 per cent of items were influenced by the EU. A case study of Helsinki council's decision-making bodies returned a figure of 47 per cent.



Since 1995, Finland's Act on Equality between Women and Men has included gender equality quotas that apply to municipal boards, committees and inter-municipal cooperation bodies.

PHOTO iStock.com/PeopleImages

With GDP per capita well above the EU average, Finland is not a major beneficiary of the European Structural and Investment Funds. Nevertheless, with a total allocation for 2014–20 of €717 per capita, it receives more than its Nordic neighbours, and municipalities play an important role in programming and implementation, both at national level (through AFLRA) and through the Regional Councils.

AFLRA aims to exert influence in the EU, the Council of Europe and other international organisations with a view to improving conditions for local government in Finland. The association is a member

of CEMR, and follows the work of other bodies in which its members are active, such as the Assembly of European Regions, the Association of European Border Regions and the Conference of Peripheral Maritime Regions of Europe. It serves as the secretariat for Finland's delegation to the CLRAE and the EU Committee of the Regions. The latter consists of nine members and nine alternates, of which eight are municipal councillors and one a member of the Åland islands assembly.

LATVIA

LOCAL SELF-GOVERNMENT in the Republic of Latvia was established with independence in 1918, but effectively suspended from 1934 until the end of the Soviet period in 1991. A major local government reform in 1992 resulted in a common Act for 586 cities and rural municipalities and 26 second-tier districts, new laws on local elections and local budgets, and a process of voluntary amalgamation for the first tier.

Another major reform in 2009 consolidated local government into a single tier consisting of 110 novadi (municipalities) and 9 pilsētas (cities). It abolished the 26 districts and created five ‘planning

regions’ (the map to the right shows six, since Riga is split into Riga city and the surrounding area for statistical purposes). The regions operate under the supervision of the ministry responsible for regional development, and are not administrative-territorial units as such, but their decision-making councils are composed of elected municipal representatives.

In 2015, noting that many small municipalities remain, the Ministry of the Environment and Regional Development proposed a further territorial reform to be implemented in 2021, with two possible models: one with 49 municipalities and 9 large cities, another with just 29 local authorities.



As in most of the countries surveyed here, the capital city, Riga, is both the largest municipality and the centre of the wealthiest region.

PHOTO pixabay

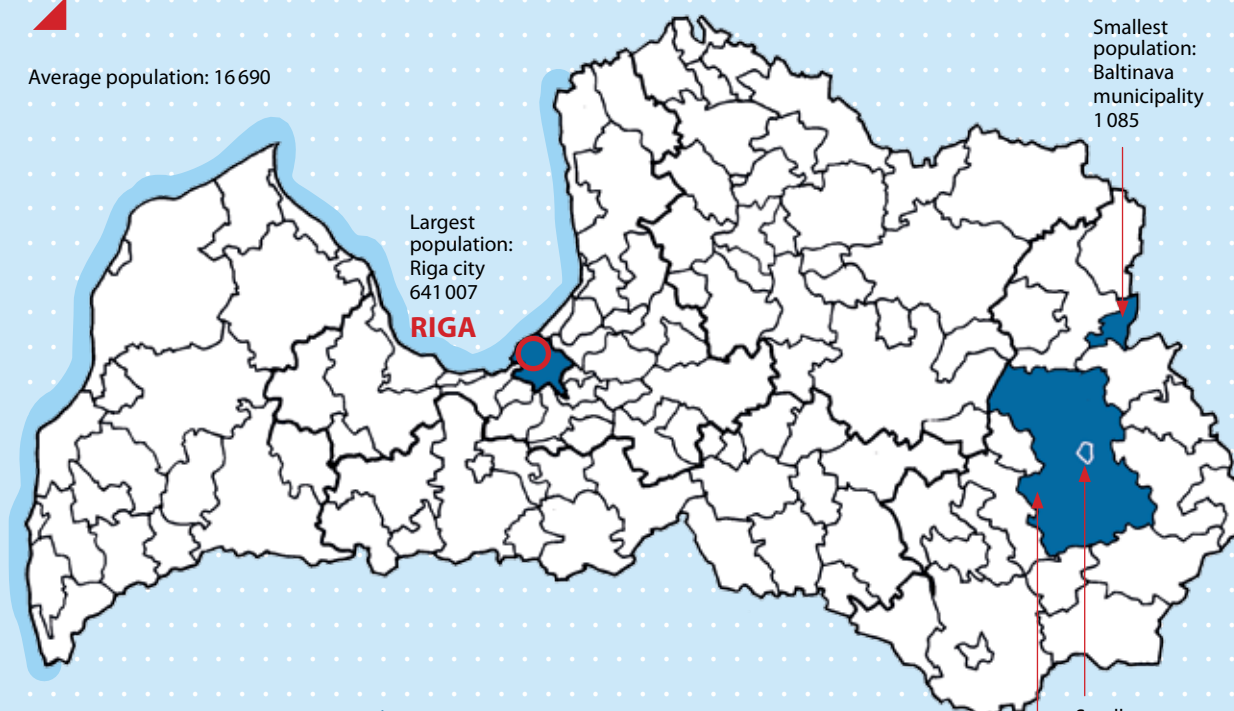


BASIC FACTS

Land area:	62 210 km ²
Population (2015):	1.99 million
Population density:	32 inhabitants/km ²
Government type:	Republic
GDP per capita (PPS):	€17 500 (in 2014)

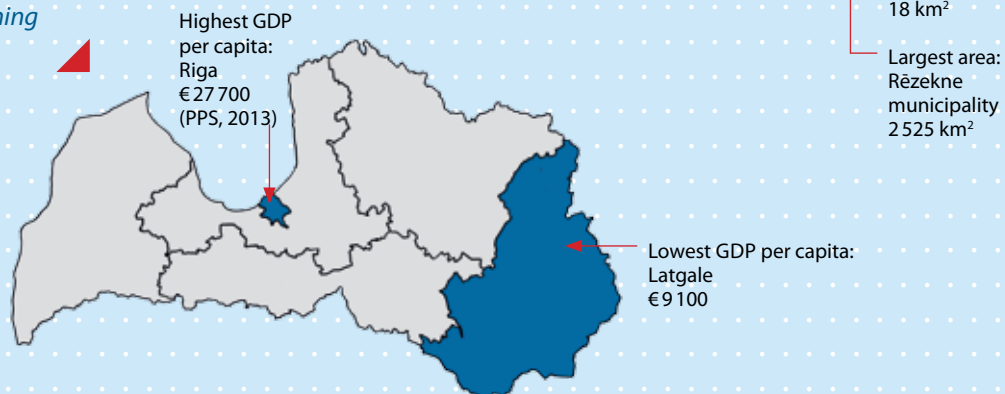
110 MUNICIPALITIES (novadi) and 9 CITIES (pilsētas) – single level

Average population: 16 690



5 PLANNING REGIONS (pilsētas)

Not self-governing



Local authorities play a significant role in welfare provision, particularly in the area of education. However, they are heavily reliant on central government for funding, with over half their revenue coming from a negotiated share of personal income tax, and most grants designated for particular purposes, if not earmarked. Municipalities were particularly hard hit by the financial crisis of 2008, with total revenues yet to regain pre-crisis levels.

Established in 1991, the Latvian Association of Local and Regional Governments represents the interests of all local authorities, notably in the annual negotiations with central government. These are enshrined in the Law on Local Governments, and cover financial transfers as well as pending legislation and other issues that may affect local government.

FUNCTIONS

110 municipalities and 9 cities

- Water and heating supply
- Waste management
- Public services and infrastructure
- Public management of forests and water
- Primary and secondary education
- Culture
- Public health
- Social services
- Child welfare
- Social housing
- Licencing for commercial activities
- Public order and civil protection
- Urban development
- Collection of statistical information
- Public transport
- Training for teachers

Note: 'Autonomous competences', not including those delegated by the state or exercised voluntarily
Source: CEMR

Local democracy

The **council** (*dome*) is the decision-making body of each local authority, elected directly for a four-year term.

The council elects a **chairperson** (*priekšsēdētājs*) from among its members, whose powers include managing the work of the council, representing the local authority in relations with the state or other authorities and in court, signing contracts and issuing binding instructions to local government employees. Chairpersons are often referred to as mayors in international contexts. On the recommendation of the chairperson, the council appoints an **executive director** (*izpilddirektors*), who may or may not be a councillor, to manage the work of local government institutions and undertakings.

The Law on Local Governments requires councils to establish at least two standing committees, one on finance, one on educational, social and cultural affairs. Most have at least three or four, and each councillor must be a member of at least one committee.



In Latvia the Law on Local Governments requires that rural municipalities and towns maintain administrative centres for the purpose of providing small-scale local services.

PHOTO Shutterstock.com/Grandpa

SUB-MUNICIPAL UNITS

With a clear trend towards larger municipalities in the countries surveyed here, local government reforms often raise the issue of physical distance between citizens and the administrative centre. In some cases, local wards or elderships such as Latvia's *pagasti* or Lithuania's *seniūnijos* remain, or municipalities may be permitted to maintain them for the purpose of small-scale local services and administration. In Sweden, by contrast, not even the largest municipalities in the north maintain an administration outside the central location.

Latvia is notable in that §69 of the Law on Local Governments actually requires municipalities to do this: 'In order to ensure the accessibility of the services provided by a local government, in municipality rural territories (or *pagasti*) and towns in which the local government administrative centre is not located, the local government council shall establish a rural territory or city administration.'

Legal framework and supervision

Local government does not receive explicit protection in Latvia's relatively concise constitution, though it is mentioned in the context of citizens' and Parliament's rights (for example to request information from local governments), and the Constitution states that councils shall be elected by Latvian and EU citizens who permanently reside in Latvia. However, the Constitutional Court has referred to the European Charter of Local Self-Government as a directly applicable instrument from which the constitutional principles of local self-government can be interpreted. Local authorities may, for example, rely on the Charter to challenge national legislation that is incompatible with it.

The 1994 Law on Local Governments sets out the powers and own functions of local authorities in

some detail, and permits them to carry out voluntary initiatives in the interests of their residents (provided these are not within the competence of other authorities or prohibited by law). It also sets out general rules on working arrangements, the election of chairpersons and committees, the functions of chairpersons and executive directors, auditing, property, inter-municipal cooperation and so forth. Separate acts govern local elections, the status of councillors, local budgets and financial equalisation.

The Law also requires the Cabinet to coordinate with local authorities on all issues affecting their interests, including draft laws and financial arrangements. This takes the form of annual negotiations between ministries and the Latvian Association of Local and Regional Governments, leading to a memorandum of understanding, which the Finance Ministry submits to Parliament.



Education is by far the largest item of local government expenditure in Latvia, making up 38 per cent of the budget.

PHOTO iStock.com/Cathy Yeulet

As regards control and supervision, the Law states that when carrying out delegated functions a local government represents the Republic and is subordinate to the Cabinet. Besides this, the Ministry of Environmental Protection and Regional Development is charged with monitoring the activities of local governments. With some exceptions, the Minister may suspend unlawful decisions by a local council, which must then decide to amend or withdraw the measure, or to appeal to the courts. The Minister may also suspend a chairperson (again, subject to appeal) who fails to comply with the law.

In certain circumstances, Parliament may dismiss an entire council, replacing it with a temporary administration pending new local elections. While rare, this has occurred, in one case where more than half of the members failed to attend three consecutive meetings, in another owing to repeated breaches relating to construction permits and illegal buildings.

Around 10–15 per cent of complaints to the Ombudsman relate to local governments. The Ombudsman's findings are not binding, but the

office may represent complainants in civil and administrative courts, submit reports to the authorities or apply to bring a case to the Constitutional Court.

Local authorities are required to engage auditors, and may establish an audit commission. The State Audit Office supervises their actions as regards financial means and property, and the Ministry of Environmental Protection and Regional Development may call for an extraordinary financial audit of a local authority.

Finance

Local government expenditure is slightly higher than in Latvia's Baltic neighbours. It is still a little below the EU average in terms of GDP (10 per cent), but above in terms of overall public expenditure (27 per cent). As the figure below shows, education is by far the largest item in local budgets.

According to figures from the Latvian Treasury, tax revenue accounted for 60.8 per cent of local government revenue in 2015. The bulk of this (85 per cent) comes from municipalities' four-fifths

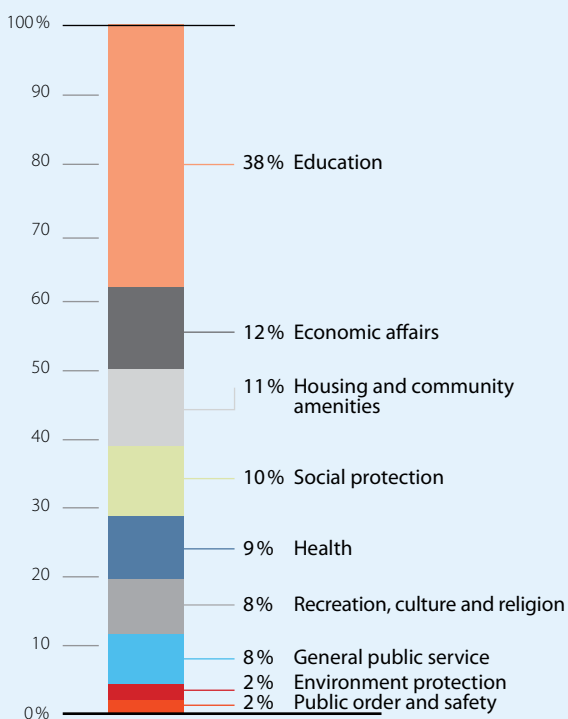
share of personal income tax, which is levied at a flat national rate. Municipalities do have some flexibility in setting rates for local property tax, which accounts for most of the rest of tax revenue.

Transfers account for 31.5 per cent of total revenue. Of these, 64 per cent are for a particular purpose, 11.5 per cent are from EU structural funds and other international co-financing, and 16.1 per cent are from the local government equalisation fund. This is financed mainly (almost 90 per cent in 2015) by

contributions from the richest municipalities. Paid services and other non-tax items account for the remaining 7.6 per cent of total revenue.

As in several other countries surveyed here, the framework for local government is designed to avoid ‘unfunded mandates’, at least on paper. The Law on Local Governments says that ‘State administrative institutions do not have the right to assign to local governments the performance of such functions and tasks for which financing is not provided.’ Nevertheless, local authorities, like the public sector as a whole, were hard hit by the financial crisis: total revenue fell in absolute terms from 2008 to 2010 and has yet to regain its pre-crisis level.

Local government expenditure in Latvia (2013)



Source: Eurostat

EU relations

Latvia joined the EU in 2004 and is a major beneficiary of the European Structural and Investment Funds, with an allocation of € 2 830 per capita for the 2014–20 period. As noted above, structural funds account for over 10 per cent of the grants local authorities receive from the government.

However, shortly after Latvia’s accession, a representative of the Latvian Association of Local and Regional Governments (LALRG) wrote that the positive expectations of local authorities had only partly been met. Reasons included the centralisation of health care, stricter regulation of other local government functions, limited decentralisation at the regional level, difficulties in accessing and co-financing structural funds, and competition for resources with central ministries.

LALRG is active in European groupings such as CEMR, and serves as the secretariat for the Latvian delegation to both the Congress of Local and Regional Authorities and the Committee of the Regions. The latter consists of seven members with alternatives, all members of city or municipal councils.

LITHUANIA

LOCAL SELF-GOVERNMENT IN LITHUANIA

dates from the Middle Ages, when towns acquired the right to their own magistrates and elected juries. City councils, and later township councils for peasants and county councils for the nobility, continued to operate during the Russian Empire period. Following independence in 1918, democratic local self-government was established with the 1919 Municipalities Act, only to be effectively abolished from 1940 during the Soviet period.

After independence in 1990, democratic elections were reintroduced in a two-tier system of districts, republican towns, district towns, villages and wards,

with 581 administrative units in total. This was consolidated in 1994 into a single-tier system of 56 self-governing municipalities (increased to 60 as of 2000). There remain different types of municipalities, including some district municipalities that surround the town of the same name, but all have the same functions. Councils may retain sub-municipal wards as a branch of the municipal administration to deal with small-scale local matters.

Lithuania's ten counties are administrative units, but not self-governing. The state administrations headed by county governors were dissolved in 2010 and their functions transferred to municipalities



After Lithuania gained independence in 1990, democratic elections were reintroduced in a two-tier local government system. This was further consolidated into a single tier in 1994.

PHOTO iStock.com/Birute Vijeikiene



BASIC FACTS

Land area:	62 650 km ²
Population (2015):	2.92 million
Population density:	47 inhabitants/km ²
Government type:	Republic
GDP per capita (PPS):	€ 20 600 (in 2014)

60 MUNICIPALITIES (savivaldybės)

Average population: 48 688



Smallest population:
Neringa, 2 879

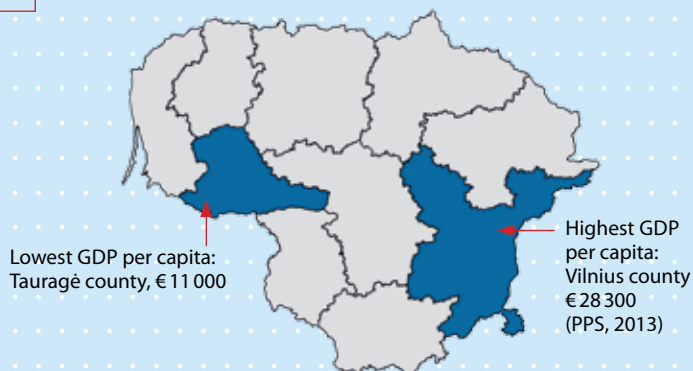
Smallest area:
Alytus city, 40 km²

Largest area:
Varėna, 2 216 km²

VILNIUS

Largest population:
Vilnius city, 542 626

10 COUNTIES (apskritis) ▶ *Not self-governing*



Lowest GDP per capita:
Tauragė county, € 11 000

Highest GDP
per capita:
Vilnius county
€ 28 300
(PPS, 2013)

and central government. There remain Regional Development Councils at county level, which are composed of municipal representatives and are instrumental in programming some 11 per cent of EU funds that is allocated to the counties.

Municipalities play an important role particularly in education, health and social services, although in financial terms they are heavily dependent on government grants and a centrally determined share of income tax revenue.

The Association of Local Authorities in Lithuania was formed in 1995 from a merger of four local authority associations established after independence.

FUNCTIONS

60 municipalities

- Budget
- Pre-school, primary and secondary education
- Civil protection
- Culture
- Environment
- Sanitation
- Housing
- Transport
- Labour market measures and promotion of entrepreneurship
- Primary health care
- Public services and municipal property management
- Spatial planning
- Local development
- Sports
- Tourism

Source: CEMR

Local democracy

Municipal councils are directly elected for a four-year term. The **council** (*taryba*) is the main decision-making body. Until 2015, councillors elected a **mayor** (*meras*) from among their own number to serve as the head of the municipality. Since 2015, mayors have been directly elected, though they remain members of the council and retain similar powers. Duties include setting the agenda of council meetings and representing the municipality in court, in the regional development council and with other institutions.

The council must appoint a **committee** for control (internal audit), and each councillor must be a member of at least one other committee. Councils must also appoint at least two **commissions**, one for administration, one for ethics. These are chaired by councillors, but their members may include civil servants and community representatives (the latter at least one-third of the membership in the case of ethics) as well as councillors.

The director of the **municipal administration** (*administracijos direktorius*) is appointed by the council on the recommendation of the mayor. He or she is personally responsible for implementing laws and decisions of the national government, as well as of the municipal council, in the municipal territory.



As with other countries in the region, Lithuanian municipalities play an important role particularly in education, health and social services.

PHOTO Shutterstock.com/Alexander Rath

ASSOCIATIONS OF LOCAL AUTHORITIES

In most of the countries surveyed here, local authority associations are established voluntarily by their members, and financed by membership fees and paid services. They nonetheless play a vital role in negotiations with the national authorities on matters such as local finance and pending legislation with an impact on local authority business.

Lithuania is notable in that the association was established by law in 1995, and is mentioned by name in the Law on Local Self-Government (art 53): 'The Association of Local Authorities in Lithuania shall represent common interests of municipalities in the Government, other state institutions and international organisations.'

Functions include activities and annual discussions of indicators for budgetary revenue, and the law also mentions a bilateral commission association.

Legal framework and supervision

Lithuania's 1992 constitution devotes a chapter to local authorities, guaranteeing the right to self-government implemented through municipal councils. It also gives municipalities the right to establish local levies and to apply to court if their rights are violated. On the other hand, it requires municipalities to execute delegated responsibilities, places them under the supervision of government representatives and gives parliament the power to introduce temporary direct rule in certain circumstances.

The 1994 Law on Local Self-Government (as amended in 2014) sets out municipal functions in some detail. These may be independent or delegated, the former under the council's responsibility, the latter executed on behalf of central government by the municipal administration. Other laws extend the list of functions, and municipalities may also

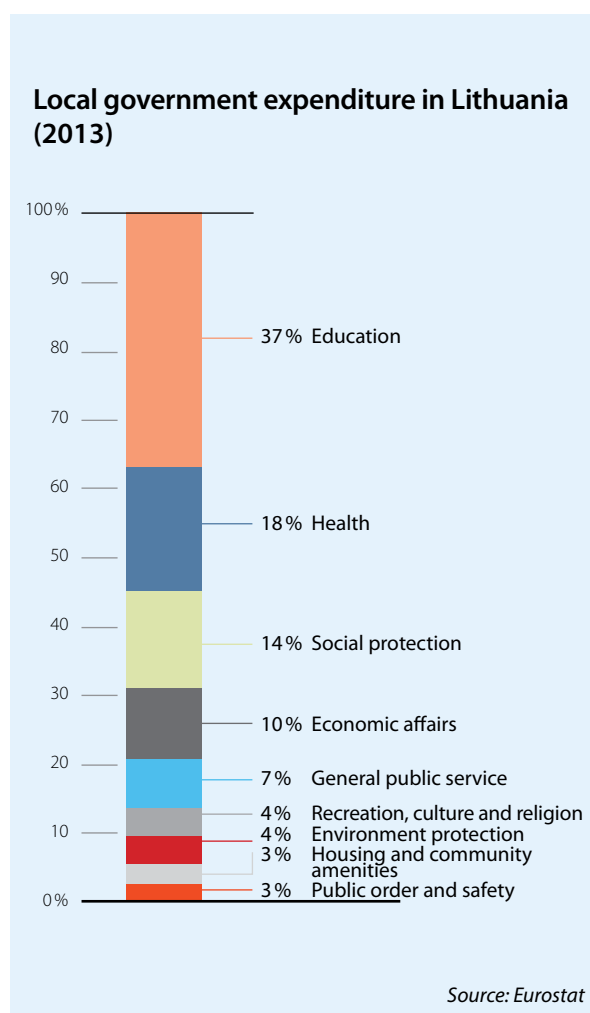
assume functions not assigned to state institutions. The Law requires municipalities to draw up spatial, strategic and financial plans and to provide public and administrative services to residents, among other duties. It also sets out detailed rules for councils, committees, mayors, the municipal executive and municipal property among other things. Numerous other laws govern aspects such as local elections, budgets, territorial organisation and administrative supervision.

Government representatives in each of Lithuania's ten counties supervise municipalities' compliance with the constitution, the law and government decisions. In the event of breaches they may issue a recommendation to the head of the local authority, and if this is not followed, bring the matter to court.

Residents and organisations may challenge municipal decisions or actions that violate their rights under the Administrative Procedures Act, and may also complain to the Parliamentary

Ombudsmen. While the ombudsmen's recommendations are not binding, they may bring matters to the attention of the relevant state authorities.

As regards audit, municipalities must appoint (from a civil service list) a municipal controller, who reports to the council and supervises the use of municipal and state property and the execution of the municipal budget. The National Audit Office may conduct external reviews of audits.



Finance

Local government expenditure in Lithuania, at 7.9 per cent of GDP, is the lowest in the countries surveyed here. Nevertheless, as a share of public expenditure (22.7 per cent), it is still only fractionally below the EU average. Education and training, primary health care and social services together account for around two-thirds of local budgets.

According to figures from Statistics Lithuania, 50.7 per cent of municipal revenues in 2014 came from taxes. Shared personal income tax, levied at a national flat rate, accounted for 84 per cent of this. Property taxes and a range of other local taxes and fees, over which municipalities do have some discretion, make up the remainder. Transfers, including block grants and specific grants for delegated functions (of which any unused amounts must be returned) accounted for 43.4 per cent of local revenue, with other items (sales of goods and services, property income, etc.) at 5.5 per cent.

Fiscal equalisation occurs partly through government grants, which compensate for differences in tax revenues and the structure of expenses, and partly through the distribution of shared personal income tax. In 2016 most municipalities will receive a little over 75 per cent of the income tax paid by their residents, while the richest municipalities (whose predicted tax revenue exceeds the average) receive less.

EU relations

Lithuania joined the EU in 2004 and is a major beneficiary of the European Structural and Investment Funds, with an allocation of € 2 910 per capita for the 2014–20 period. Although part of these funds are channelled through the regional development councils (as noted above), most are allocated at the national level, and the competition is tough, especially for smaller municipalities that may lack specialist staff and co-financing.

In the second half of 2013, the Lithuanian Presidency of the EU published a brochure jointly with the Committee of the Regions, in which Lithuania's President (a former EU Commissioner) wrote 'It is

self-government that directly implements more than three quarters of the *acquis communautaire* – making it the key player in achieving common European goals.’ Energy efficiency, one of the flagship initiatives of the EU-2020 programme, is given as an example of an area where local authorities are instrumental in achieving common EU objectives for growth and jobs.

The Association of Local Authorities in Lithuania (ALAL) opened its Brussels office in 2007. It serves as the secretariat for Lithuania’s delegation to the Committee of the Regions, which consists of seven members and seven alternates, all of them members of municipal councils. ALAL is also a member of CEMR and coordinates Lithuania’s delegation to the CLRAE.



Energy efficiency has been highlighted as one area where Lithuanian local authorities are instrumental in achieving common EU objectives for growth and jobs.

PHOTO iStock.com/Jacek_Sopotnicki

NORWAY

THE ROOTS OF MODERN local self-government in Norway can be traced to an 1837 law that required each parish, rural as well as urban, to form a municipality with elected representatives. With Norway still in union with Sweden, local authorities developed a high degree of autonomy that enabled them to build infrastructure and expand welfare services. Compulsory income tax was introduced in 1882 and quickly supplanted property tax as the main source of local revenue, with municipalities free to determine rates.

Territorial reforms in the 1960s reduced the number of municipalities from over 700 to around

450, and gradual consolidation has continued on a voluntary basis. Nevertheless, 28 of the current 428 municipalities still have a population of 1 000 or less, and in 2014 the government launched a new reform that will lead to further mergers of municipalities and possibly counties in 2017. Parliament still wishes to avoid forced mergers, but the government is encouraging municipalities to comply through financial incentives and new functions for larger and more robust units.

The 19 county councils have been directly elected since 1975. Their role is smaller than that of municipalities, especially since 2002, when respon-



Despite continued consolidation, a number of Norwegian municipalities still have a population of 1 000 people or less. Further mergers are planned in coming years with financial incentives and new functions for larger units.

PHOTO pixabay



BASIC FACTS

Land area:	304 226 km ²
Population (2015):	5.17 million
Population density:	17 inhabitants/km ²
Government type:	Constitutional monarchy
GDP per capita (PPS):	€ 48 900 (in 2014)

428 MUNICIPALITIES (kommuner)

Average population: 12 182

Largest area:
Guovdageaidnu Kautokeino, 9 707 km²

19 COUNTIES (fylkeskommuner)

Smallest
population:
Utsira, 200

Smallest area:
Kvitøy, 6.29 km²

OSLO

Largest
population:
Oslo, 658 390

Highest GDP per capita:
Oslo, € 66 400
(PPS, 2013)

Lowest GDP per capita:
Østfold, € 26 200

sibility for hospitals was shifted to central government. The state is also present at the county level, in particular through the County Governors, who are responsible for supervising municipalities.

In financial terms local authorities are less autonomous today than they were in the 19th century, being more dependent on central government grants and no longer able in practice to determine income tax rates. Local self-government also lacks the formal constitutional and legal protection seen in most of the other Nordic and Baltic countries. Despite this, local authorities are powerful, playing a dominant role in education, health and other welfare services and accounting for around 20 per cent of employment.

The Norwegian Association of Local Authorities (KS) was formed in 1972 through a merger of the Union of Norwegian Cities and the Norwegian Association of Rural Municipalities. KS represents

all municipalities and counties as well as some 500 public enterprises as both an interest and employer organisation.

Local democracy

Direct elections to municipal and county councils in Norway are held every four years, midway through the national parliamentary term.

The Local Government Act provides for two modes of organisation. In the 'traditional' system, the **council** (*kommunestyre* in municipalities, *fylkesting* in counties) is the supreme decision-making body, and elects an **executive committee** (*formannskap, fylkesutvalg*). This consists of at least five councillors with party affiliation in proportion to the local election results, whose duties include preparing a four-year economic plan and budget. The council also elects its **chairman** (*ordfører*) and may create and grant decision-making powers to committees. But the municipality or county is obliged to hire a **chief executive** (*administrasjonssjef*) to head the administration, who must ensure that matters put to the council are properly prepared and resolutions carried out, and may be empowered to take decisions on matters not involving questions of principle.

Alternatively, a council majority may decide to introduce the 'parliamentary system', whereby the political majority elects a **government** or **executive board** (*kommuneråd*) which serves as the highest administrative body, replacing the chief executive. Those elected to the government must relinquish any other municipal or county office during the term of office. The council may empower the government to make decisions in all matters unless otherwise provided by law. Several cities and counties have adopted this model, which gives the government considerably more executive power than the executive committee in the traditional model. On the other hand, the government may be subject to a no-confidence vote by the full council.

The Local Government Act requires all local authorities to elect a **control committee** for day-to-day monitoring of financial management and

FUNCTIONS

428 municipalities

- Child welfare
- Primary and secondary education
- Health care
- Social services
- Culture and leisure
- Technical infrastructure
- Local planning

19 counties

- Upper-secondary education*
- Regional development
- Transport and environment
- Trade and industrial policy

Source: CEMR

* According to the Ministry of Education (given as 'higher education' in CEMR)



As a percentage of GDP, local government expenditure in Norway is lower than in the other Nordic countries. However, GDP is higher thanks in part to oil revenues. Government income is redistributed to the local level through block grants.

PHOTO Shutterstock.com/V. Below

to ensure that auditing of the financial accounts is carried out in a satisfactory manner. This must consist of at least three members, of which one must be a councillor, excluding the council chair and others with decision-making powers.

Norwegian municipalities no longer have mayors by name, but the title is used in international contexts for the highest administrative position, i.e. the chief executive or head of the executive board.

Legal framework and supervision

Norway's 1814 Constitution (last revised in 2015) does not mention local self-government, and although amendments to rectify this have been proposed over the years, none has yet succeeded. Nor does the 1992 Local Government Act provide any binding legal protection for local self-government.

The Local Government Act sets out rules for council organs and administrations (both municipal and county), inter-municipal cooperation, financial plans and budgets, auditing, supervision and local authority undertakings. Separate laws detail the functions of local authorities in various sectors and address such matters as local elections, local government boundaries and freedom of information. While there is no clause in the legislation that

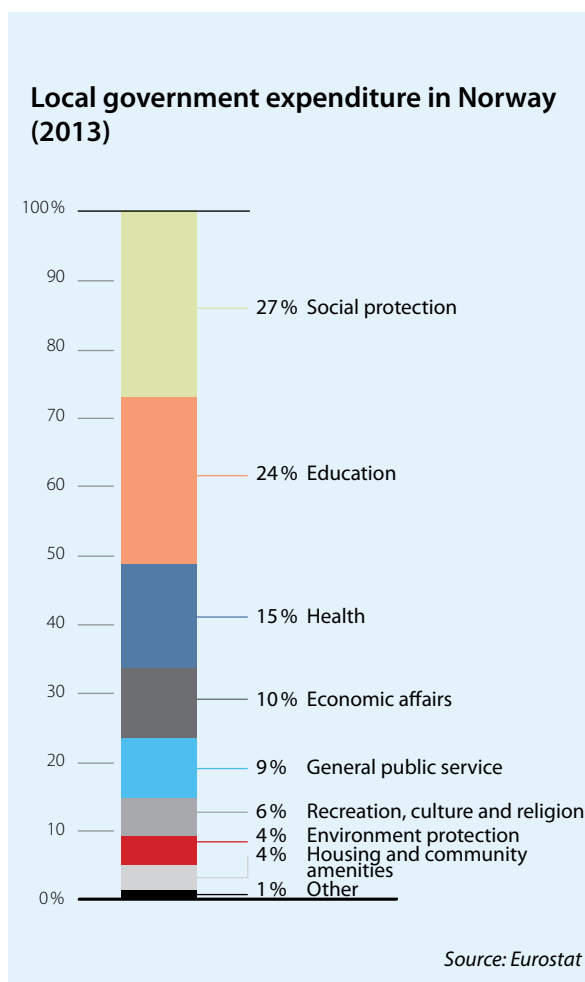
grants municipalities general competence, they can and do go beyond their explicit functions if this is in the local interest and the activity in question is not assigned to another authority.

Under the Local Government Act, county governors are responsible for supervising local authorities' compliance with the law. Governors also act on behalf of central ministries under sectoral legislation, where supervision may in practice go beyond control of legality. The governor may review acts on his or her own initiative or at the request of at least three members of the municipal council. The approval of the governor for loans, long-term leases and so forth may be required (for example, if the local budget is in deficit). Individuals whose rights are affected by municipal decisions in fields such as health and social care or building and planning may appeal to the governor (or ministry), who has the authority to overrule local decisions. While independent dispute resolution bodies have been set up in areas such as health and child welfare, local authorities do not have the legal right to appeal to the courts in disputes with central government.

In addition to the above-mentioned control committee, councils must also appoint professional auditors to scrutinise the financial accounts and, to a lesser extent, aspects of performance.

Finance

Local government expenditure in Norway accounts for 15.4 per cent of GDP, or 33.8 per cent of total public expenditure – somewhat lower than in the other Nordic countries (though GDP is higher thanks in part to oil revenues). Central government is responsible for universities and hospitals, but education and health still make up a substantial share of local budgets. The largest item is social services (including care for the elderly and disabled, and child welfare).



At 27 percent of the budget, social services such as elderly care and child welfare make up the greatest share of local government expenditure in Norway.

PHOTO iStock.com/Pamela Moore

According to Ministry of Finance figures, municipal revenues in 2015 consisted of tax receipts (40 per cent), general government grants (35 per cent), earmarked transfers (5 per cent), compensation for VAT paid (5 per cent) and user fees and charges (14 per cent). Income tax is the main source of tax revenue. In 2015, the national rate was 27 per cent, with percentage point shares of 11.35 per cent for municipalities, 2.60 per cent for counties and 13.05 per cent for central government. These maximum rates are set annually by Parliament. Local authorities can in principle choose a lower rate, but the government has discouraged this through corresponding reductions in grants, and no local authority has exercised this option since 1979.

Municipalities also receive a share of wealth tax (at a flat rate of 0.7 per cent) and they may levy local taxes on property and natural resources. Before 2007, property tax was restricted in essence to urban areas, and thus not available to all municipalities. Since then, coverage has grown, with 341 municipalities choosing to levy property tax in 2014, accounting for just over 5 per cent of local authority tax revenue.

As in the other Nordic countries, earmarking of grants has tended to grow in recent years. Nevertheless, the block grant remains the largest source of transfers and the most important for the purpose



of redistribution. Fiscal equalisation takes the form of compensation for below- or above-average tax revenues (excluding property tax), and for differences in spending needs (based on factors such as the age structure of the population, unemployment rates and population density).

EU relations

Norway voted against joining the EU in a 1994 referendum, but remains a member of the European Economic Area (EEA), which entails similar rights

and obligations as far as the EU single market is concerned (see box).

The Norwegian Association of Local and Regional Authorities (KS) opened a Brussels office in 1993 and is active in organisations such as CEMR and CEEP. As a non-member state, Norway does not have seats on the Committee of the Regions, but KS and elected representatives participate in the European Free Trade Area (EFTA) consultative committee (for trade unions and employers) and the EFTA–EEA Forum of Elected Representatives of Local and Regional Authorities.

NORWAY AND THE EUROPEAN UNION

One might expect municipalities in Norway to be less affected by the EU than in the other countries surveyed here. However, in return for equal access to the single market, Norway must implement the rules decided by EU countries in areas such as competition policy, environment and social policy as well as free movement. Norway also contributes financially to reducing disparities within the European Economic Area (EEA) and in order to participate in some EU-funded programmes.

Municipalities in Norway thus face many of the same challenges and opportunities as their counterparts in EU member states. They are active in a range of fields such as cross-border cooperation, renewable energy, the European Capital of Culture and youth exchange, which, as elsewhere, is easier for those with greater organisational resources. And they are required to implement or abide by EU rules in areas that local authorities elsewhere find challenging, including state aids, public procurement, labour law and environmental standards.

A 2008 study for the Norwegian Association of Local and Regional Authorities looked at a sample of 15 municipal council and five county council agendas and found that 73 per cent of the items on these were influenced by the EEA agreement – a similar (indeed higher) figure to that obtained using similar methods in the other Nordic countries.

POLAND

COMPARED WITH MOST OF THE OTHER countries surveyed here, Poland can hardly be said to enjoy a strong tradition of local government, having been partitioned between three different states and systems from the late 18th century until the First World War. While the foundations for municipal self-government were laid in the 1921 Constitution, the system was effectively abolished from 1950. During the communist period, ‘people’s councils’ lacking independent powers and budgets served effectively as organs of the state.

This makes the post-1989 transformation all the more remarkable: within a decade, Poland estab-

lished a system that has much in common with the Nordic countries, in which powerful local authorities account for almost a third of public expenditure and play a central role in delivering welfare services. Elected municipal councils were restored in 1990, followed in 1999 by counties and larger provinces or voivodeships. Since 2002, mayors of municipalities – the most significant level in terms of functions and resources – have been directly elected.

Today there are 2 479 municipalities (including rural, urban and urban-rural) with similar functions, and 314 counties with larger-scale responsibilities such as secondary education and county



Since 1989 Poland has undergone a remarkable transformation in its local self-governance, establishing a system with powerful local authorities that play a central role in providing welfare services.

PHOTO pixabay



BASIC FACTS

Land area:	306 194 km ²
Population (2015):	38.01 million
Population density:	124 inhabitants/km ²
Government type:	Republic
GDP per capita (PPS):	€ 18 600 (in 2014)

2 479 MUNICIPALITIES
(gminy)

Average population: 15 522

Smallest population:
Krynica Morska, 1 335

Smallest area:
Górowo Iławeckie
3 km²

Largest area:
Pisz
634 km²

WARSZAWA

Largest population:
M.st.Warszawa
1 735 442

379 COUNTIES (powiaty)
incl. 65 cities with powiat status

16 PROVINCES
(województwa)



Highest GDP
per capita:
Mazowieckie
€ 29 800
(PPS, 2014)

Lowest GDP
per capita:
Lubelskie
€ 13 000

hospitals. A further 65 cities perform both municipal and county functions. Sixteen provinces with an average population of 2.38 million are responsible for regional development, including management of over 40 per cent of EU structural funds.

Six local government associations, established or re-established between 1990 and 2003, represent provinces, counties and the different types of municipalities in the official Joint Commission of Government and Local Self-Government (see box).

POLAND'S JOINT COMMISSION OF GOVERNMENT AND LOCAL SELF-GOVERNMENT

Established in 1993 and formalised by law in 2005, the Joint Commission of Government and Local Self-Government represents perhaps the most developed form of consultation between central government and local authority associations of all the countries surveyed here.

From the government side the Commission currently includes a Deputy Minister from the Ministry of Internal Affairs and Administration and 11 others at Secretary and Undersecretary of State level from Finance, Justice and various line ministries. From the local side, there are two members from each of six local authority associations:

- the Union of the Voivodeships of the Republic of Poland
- the Association of Polish Counties
- the Association of Polish Cities
- the Union of Polish Metropolises
- the Union of Polish Towns
- the Union of Rural Communes of the Republic of Poland.

Meetings are held as needed, but the law states that the gap between them should not exceed two months. Among the aims of the Commission are to:

- develop a common stance on economic and social priorities related to public utilities, local government and regional development
- review and assess the legal and financial conditions for local government work
- evaluate the functioning of local governments in the EU integration process
- analyse and give opinions on draft legal proposals, government programmes, etc. related to local government issues, including with regard to expected financial results.



Of the countries included here, Poland is the largest beneficiary of EU structural and investment funds in absolute terms. Local authorities benefit from regional and national operational programmes, using funds (for example) to improve transport in wider urban areas.

PHOTO Shutterstock.com/struvictory

FUNCTIONS

2 479 municipalities

Public transport

- Social services
- Housing
- Environment
- Culture
- Pre-school and primary education

379 counties

(incl. 65 urban municipalities with county status)

- Road building and maintenance
- Secondary education
- Civil protection
- Environment
- Employment
- Health

16 provinces

- Economic development
- Higher education
- Environment
- Employment
- Social policy
- Regional road management

Source: CEMR

Local democracy

Municipal **councils** (*rada gminy* or *rada miasta* in towns), **county councils** (*rada powiatu*) and **provincial assemblies** (*sejmik województwa*) are directly elected every four years. The electoral system depends on the type of authority – a majority system in most municipalities, proportional lists in towns with county rights, counties and provinces.

The key difference is that in municipalities the executive – the **mayor** (*wójt* in rural areas, *burmistrz* in most towns, *prezydent* in the largest cities) – is also elected directly, and cannot sit on the municipal council. In counties and provinces, the council appoints and may dismiss its **executive board** (*zarząd*) headed by a *starosta* (counties) or *marszałek* (provinces).

As the head of the municipal administration and with the responsibility to implement council decisions, the municipal mayor has wide-ranging executive powers. Moreover, the council cannot dismiss the mayor before the end of the four-year term; a local referendum is required to do this. Nonetheless, the council remains the highest decision-making body, with the authority (for example) to amend the mayor's draft budget.

The council also elects a chairman with responsibility for organising and conducting council meetings. It may also create permanent and temporary committees to perform specific tasks, and must create an **audit committee** consisting of councillors but excluding the chair and vice-chairs. The audit committee supervises the activities of the mayor and administration and gives its opinion on the execution of the budget.

Legal framework and supervision

Local self-government is securely enshrined in Poland's 1997 Constitution, which mentions the principle of subsidiarity in its preamble and states in Chapter 1 that 'the territorial system of the Republic ... shall ensure the decentralisation of public power.' Moreover, '(t)he substantial part of public duties which local government is empowered to discharge by statute shall be done in its own name and under its own responsibility.'

Chapter VII of the Constitution on local government states that local authorities shall be assured adequate public funds for the performance of their duties, and that the self-governing nature of local government shall be protected by the courts. It names the municipality (*gmina*) as the basic unit of local government, which performs all tasks of local government not reserved for other levels. The Constitution also gives Parliament the authority, on the Prime Minister's initiative, to dissolve a local authority in the event of flagrant violations of the Constitution or statute.

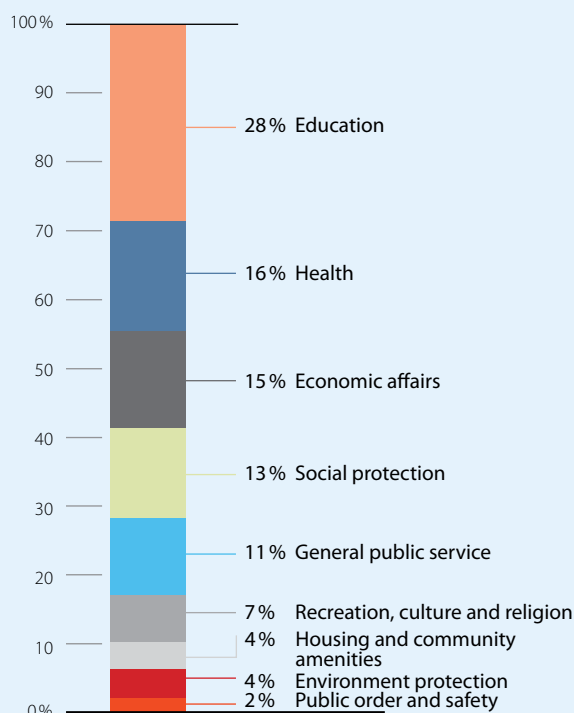
Separate acts (the Local Government Act, the County Government Act and the Voivodeships Act) govern each tier, setting out the functions listed above as well as rules for organisation, supervision, budgets and so forth. Although municipalities are in theory free to act in the interest of their citizens in any area not reserved for another public body, this is restricted in practice by other legislation, for example the Local Finances Act, which requires statutory authority for public money to be spent.

Local authorities are supervised at regional level by the **governors** (*voivodes*) and on financial matters by regional audit chambers. Governors assess local measures after adoption, and may annul decisions if they do not comply with the law. Local authorities may appeal against annulment to the administrative court. Other agencies and bodies, including regional audit chambers (for financial matters), the Supreme Audit Chamber and the Ombudsman, have the right to monitor local authority activities or to request information. Citizens whose legal interest or right has been violated by a local authority decision may also appeal to the administrative court.

Finance

Local government expenditure, at 13.5 per cent of GDP or 32.1 per cent of total public expenditure, lies above the EU average, and somewhere between the Baltic and Nordic countries. As in the other countries surveyed, education, health and social protection account for over half of local budgets. The significance of economic affairs (15 per cent of total expenditure, including local support for agriculture, industry, R&D and so forth), is explained partly by the substantial amounts of EU funding available to local authorities.

Local government expenditure in Poland (2013)



Source: Eurostat

Figures from the Polish Central Statistical Office show that almost half of local government revenue (49 per cent) consisted of own revenues, with general subsidies accounting for 29 per cent and targeted grants (including from EU structural funds) 22 per cent.

The main source of own revenue is local authorities' share of income tax. They receive almost half of personal income tax receipts (37.5 per cent to municipalities, 10.3 per cent to counties and 1.6 per cent to provinces in 2014), and around 23 per cent of corporate income tax (6.7 per cent to municipalities, 1.4 per cent to counties and 14.8 per cent to provinces).

Municipalities also receive income from local property tax (almost 20 per cent of own revenue) and a range of minor taxes and fees whose rates and bases they do have some control over (within national ceilings).

Around three-quarters of the general subsidy consists of a grant intended for education. While not earmarked, this is calculated on the basis of parameters such as the number of students and teachers. As the figure above suggests, local governments spend more on education than they receive. The remainder of the general subsidy consists of equalisation grants to compensate for differences in tax revenues and the cost of providing services and infrastructure. Earmarked grants include compensation for performing delegated functions and specific municipal responsibilities, particularly in the area of social assistance.

As well as assuring local authorities adequate public funds for the responsibilities assigned to them, the Constitution (article 167) further stipulates that 'Alterations to the scope of duties and authorities of units of local government shall be made in conjunction with appropriate alterations to their share of public revenues' – thus providing the highest-level expression of the financing principle seen in several other countries.

EU relations

Poland joined the EU in 2004 and is the largest beneficiary of EU structural and investment funds in absolute terms, with a per capita allocation of € 2 343 for the 2014–20 period. These funds are now the main source for local and regional development projects. Provincial governments are the managing authorities for most of the 16 regional programmes, worth € 28 billion (41.5 per cent of the total). There are new ways for municipalities to become involved in these, for example 'integrated territorial investments' to improve transport in wider urban areas. Municipalities also benefit from the national operational programmes, for example through upgrades to waste and water infrastructure in rural areas.

Assessments of the impact of EU accession on local authorities often focus on aspects of EU legislation that are challenging for local authorities. However, accession may also contribute to reducing the administrative burden in some areas. In its assessment of the first four years of membership, Poland's inter-ministerial Committee for European Integration explained how the EU 'Better Regulation' initiative had led, among other things, to surveys of central and local administrations to establish the number of permits, licences, registrations, etc. required to engage in economic activities, and to targets for simplifying such procedures.

Poland's delegation to the EU Committee of the Regions consists of 21 members and 21 alternates, proposed by the local authority associations: ten from the provinces, three from the counties, and eight from municipalities (two from the largest cities, three from smaller cities, one from small towns and two from rural municipalities). The Information Office of the Wielkopolska Region in Brussels currently provides coordination. The Association of Polish Cities and the Association of Polish Counties are members of CEMR but do not have offices in Brussels.

SWEDEN

LOCAL AUTONOMY in Sweden dates back to the Middle Ages, but it was the local government reforms of 1862 that laid the ground for the modern system. These made every city and rural parish a municipality with responsibility for secular affairs, including the right to levy taxes. Boundary reforms in the 1950s and 1970s amalgamated towns and small rural municipalities, resulting in today's division of 290 municipalities and 21 counties.

Municipalities provide the majority of local services, including pre-university public education. County councils are essentially responsible for health care and regional transport. In recent years, several counties (ten at the time of writing) have gained regional status, with regional councils taking

over additional responsibilities for regional development from the County Administrative Boards (regional agencies of central government). The government intends to propose a reform of regional boundaries in 2017, which is likely to result in fewer counties/regions.

Local government in Sweden is powerful, playing a dominant role in welfare and service provision and accounting for around 25 per cent of GDP. Local authorities have a large measure of freedom to organise their activities as they see fit, although they are subject to detailed state regulations and oversight in many of their areas of responsibility.

Following a merger in 2007 of the associations for municipalities and county councils, the Swedish



The Swedish Association of Local Authorities and Regions (SALAR) represents municipalities and counties/regions as both an employers' association and a local government interest organisation. SALAR's election congress is held once every four years following local elections in Sweden and elects a new Chair and Board.

PHOTO SALAR/Rickard L. Eriksson



BASIC FACTS

Land area:	407 340 km ²
Population (2015):	9.75 million
Population density:	24 inhabitants/km ²
Government type:	Constitutional monarchy
GDP per capita (PPS):	€ 33 700 (in 2014)

290 MUNICIPALITIES (kommuner)

Average population: 33 612

Largest area: Kiruna, 20 551 km²

Smallest population:
Bjurholm, 2 451

Smallest area: Sundbyberg, 8.79 km²

STOCKHOLM

Largest population: Stockholm, 911 989

21 COUNTIES (län)

Highest GDP
per capita:
Stockholm, € 46 400
(PPS, 2013)

Lowest GDP
per capita:
Gotland, € 26 100

Association of Local and Regional Authorities represents municipalities and counties/regions as both an employers' association and a local government interest organisation.

FUNCTIONS

290 municipalities

Mandatory

- Social services
- Childcare and pre-school
- Primary and secondary education
- Care for the elderly
- Support for the physically and intellectually disabled
- Primary healthcare
- Environmental protection
- Spatial planning
- Refuse collection and waste disposal
- Rescue and emergency services
- Water supply and sewerage
- Road maintenance

Optional

- Culture
- Housing
- Energy
- Employment
- Industrial and commercial services

21 counties/regions

Mandatory

- Healthcare
- Dental care
- Public transport (via a regional public transport authority)

Optional

- Regional development
- Culture
- Tourism

Source: CEMR

LOCAL AUTHORITIES AS EMPLOYERS

The Swedish Association of Local Authorities and Regions (SALAR) is the largest local authority association in the countries surveyed here, employing some 440 people at its headquarters in Stockholm. Part of its role is to negotiate collective agreements on behalf of municipalities, counties and regions for over a million workers, accounting for around 25 per cent of total employment – which makes SALAR Sweden's largest employers' organisation.

Almost half of these employees work in health and social care (including most staff at county level where health care is the main responsibility, but also at municipal level in elderly and disabled care). Around one-third work in education and training, including pre-school, basic and secondary education at municipal level. Nearly 80 per cent of employees in both municipalities and counties/regions are women.

Local democracy

Both municipal and county/regional assemblies are directly elected for a four-year term on the same day as elections to the national parliament. The **assembly** (*fullmäktige*) is the highest decision-making body and decides on matters of major importance, including budgets and taxation.

The **executive committee** (*kommunstyrelsen, landstings/regionstyrelsen*) is composed of elected members appointed in proportion to each party's share of seats in the assembly. It directs and coordinates the administration, supervises the work of other committees and local government corporations or associations, and prepares and implements

assembly decisions. The assembly may also entrust **specialised committees** with administrative and executive powers.

Swedish municipalities do not have mayors as such, though the term is often used, especially in international contexts, to refer either to the chair of the executive committee or to the chair of the municipal assembly.

Legal framework and supervision

Local self-government is enshrined in the Instrument of Government, one of the four basic laws that make up the Swedish constitution. This (as revised in 2010) stipulates that decision-making power is exercised by elected assemblies, that local authorities are responsible for local and regional matters of public interest and that they may levy tax for the management of their affairs. Any restriction in local self-government should be proportional, that is, not exceeding what is necessary given the aim of the restriction.

The 1991 Local Government Act sets out the general powers of local authorities and organisational rules on assemblies, committees, budgets and so forth. Local authorities may attend to any matters of general concern that are connected with their geographical area or members and are not the exclusive preserve of the state or other local authorities. They may also engage in business activities (if not-for-profit and essentially concerned with providing communal amenities or services), and may transfer the management of some local government concerns to municipal enterprises or associations of local authorities.

A range of other acts and regulations such as the Social Services Act, the Planning and Building Act, the Education Act and the Health and Medical Services Act set out the specific functions listed above along with detailed regulations that local authorities must follow in exercising their responsibilities.

Control and supervision of local authorities takes various forms. The Local Government Act allows any resident or property owner to test the legality of council decisions by appealing to

the county administrative court. In addition, the Administrative Procedures Act may allow those affected by council decisions to appeal, thus providing protection against arbitrariness or abuse of power. Further, anyone may submit a complaint to the Parliamentary Ombudsman, the Equality Ombudsman and a number of other agencies, who may inquire into local authority treatment of particular cases or issues.

In specific areas of local responsibility, the state supervises local authorities through agencies such as the National Board of Health and Welfare and the National Agency for Education. These work actively with local authorities in pursuit of national goals, providing guidance, support, follow-up and evaluation. Various sanctions, such as public criticism, fines or, in serious cases, a temporary operating ban, are available in the event that local authorities fail to meet their responsibilities.

Local authorities are also subject to supervision by the County Administrative Boards (*länsstyrelser*), which are state authorities at the county level. These give advice, monitor local authorities' compliance with the law in areas such as environmental protection, animal welfare and alcohol licensing, and



The assembly is the highest decision-making body in Swedish municipalities, counties and regions, and decides on matters of major importance, including budgets and taxation.

PHOTO SALAR/Thomas Henrikson

may handle complaints from individuals regarding municipalities' exercise of their powers under the Planning and Building Act.

There is no formalised consultation procedure between local and central government, although the executive board of the Swedish Association of Local Authorities and Regions meets regularly with the Finance Ministry, and the government must request information and opinions from local authorities (and others) concerned by legislative changes.

One particularity of the Swedish system is that local assemblies appoint auditors from among their own number. An audit committee of elected representatives (assisted by technical experts) is itself responsible not merely for supervising external auditors, but for checking whether activities have been carried out in an appropriate and financially satisfactory way.

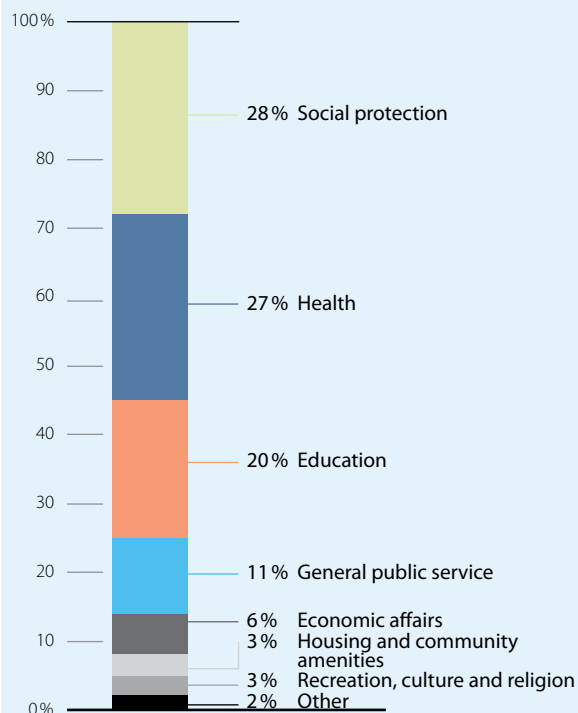
Finance

Local government expenditure in Sweden is the second-highest in the EU, at 25.4 per cent of GDP or 49 per cent of total public expenditure. As the figure to the right shows, social services and welfare (including health, education and care for the elderly and disabled) account for the bulk of expenditure.

According to data from the Swedish Association of Local Authorities and Regions, over two-thirds of revenues come from taxes, in particular the personal income tax which municipalities and counties/regions are entitled to levy. In 2016, this ranges from 29.19 to 35.11 per cent with an average of 32.10 per cent of inhabitants' incomes in 2015, of which roughly two-thirds goes to municipalities and one-third to counties/regions.

Fees and charges make up only 5 per cent of local revenue, although here it is important to note that local services such as water provision, waste collection, housing and public transport are largely provided by companies, whether municipal-owned or private, so that neither expenditure nor user charges appear in the figures here. General government grants account for around 12 per cent of local revenue, and targeted grants around 7 per cent.

Local government expenditure in Sweden (2014)



Source: Eurostat

The state runs a financial equalisation system to compensate for disparities between local authorities in both tax revenues and the cost of providing services. This is funded mainly by central government, but partly by contributions from municipalities and counties whose fiscal capacity is more than 115 per cent of the national average, or who have a favourable cost structure.

A 'financing principle' approved by Parliament in 1993 provides that changes to laws and regulations that directly affect local authority activities (for example, new or expanded obligations) must be accompanied by a change in funding from the state, thus avoiding the need for local authorities to raise taxes or reduce spending elsewhere.



Almost half of Sweden's local government employees work in health and social care, and a third in education and training. Nearly 80 per cent of employees in both municipalities and counties/regions are women.

PHOTO SALAR/Rickard L. Eriksson

EU relations

Even before Sweden joined the EU in 1995, local authorities were aware of how membership would affect their day-to-day business. The Swedish Association of Local Authorities and Regions (SALAR) produced an impact analysis of accession several years before the event, and the most recent estimates suggest that, on average, 60 per cent of the items on a municipal assembly's agenda are influenced directly or indirectly by the EU. This includes compliance with EU legislation in areas such as environmental protection, working time or public procurement as well as non-binding political or cultural influence, including through EU-funded programmes.

As one of the richer EU member states, Sweden's share of the European Structural and Investment

Funds is relatively low, with an allocation of € 407 per capita for the period 2014–20. Nevertheless, local elected representatives play a leading role in the partnerships that plan and monitor the use of these funds. Municipalities are involved in programmes for regional development, social policy and employment, territorial cooperation (with counterparts in other member states), rural development and fisheries.

Swedish local authorities and SALAR are active in a number of organisations at EU level, including the Association of European Regions, Eurocities, CEEP, CEMR and CLRAE. SALAR also serves as the secretariat for Sweden's delegation to the Committee of the Regions, which consists of 12 members and 12 alternates, two-thirds from municipal assemblies and one-third from county/regional assemblies.

REFERENCES AND SOURCES

The introductions for each country and the sections on local democracy and legal framework draw partly on Moreno, Ángel-Manuel (ed.), *Local government in the Member States of the European Union: a comparative legal perspective* (Madrid: Instituto Nacional de Administración Pública, 2012) and on the Congress of Local and Regional Authorities regular monitoring reports for each country. Recent updates are from national sources (usually local government associations, finance ministries or the ministry responsible for local government).

Maps are adapted from official sources and for the most recent territorial organisation available.

DENMARK: © Danish Geodata Agency, map "De nye regioner og kommuner i Danmark".

ESTONIA: Estonian Land Board, validity 1 March 2016.

FINLAND: contains data from the National Land Survey of Finland, municipal division retrieved March 2016.

LATVIA: Central Statistical Bureau of Latvia.

LITHUANIA: Statistics Lithuania.

POLAND: contains data from Centralny Ośrodek Dokumentacji Geodezyjnej i Kartograficznej.

NORWAY: © Kartverket.

SWEDEN: Swedish Association of Local Authorities and Regions.

Basic facts on national area, population and GDP per capita are from Eurostat. Data on municipal population and area are from national statistical agencies. Data on GDP per capita at county/regional level are from Eurostat where the division corresponds to NUTS regions. For Estonia, county GDP per capita as a percentage of the Estonian average from Statistics Estonia is applied to Eurostat's figure for GDP in PPS for the country as a whole.

Local government functions are based on CEMR (2011), *Local and Regional Government in Europe – Structures and Powers*, (Brussels, Council of European Municipalities and Regions, 2011) which is

in turn based on responses from member associations.

Figures on local government expenditure are from Eurostat, using the Classification of Functions of Local Government. Defence is excluded since local expenditure in this category is negligible for the countries surveyed here. Other categories are shown in the table overleaf.

Classification of Functions of Local Government

General public services	Executive and legislative organs, financial and fiscal affairs, external affairs foreign economic aid, basic research, R&D related to general public services, public debt services, transfers of a general character between different levels of government.
Public order and safety	Police, fire-protection services, law courts, prisons, R&D related to public order and safety.
Economic affairs	General economic, labour and commercial affairs, agriculture, forestry, fishing and hunting, fuel and energy, mining, manufacturing and construction, transport, communication, other industries, related R&D.
Environmental protection	Waste and water waste management, pollution abatement, protection of biodiversity and landscape, related R&D.
Housing and community amenities	Housing development, community development, water supply, street lighting, R&D related.
Health	Medical products, appliances and equipment, outpatient, hospital and public health service, R&D related to health.
Recreation, culture and religion	Recreational and sporting, cultural services, broadcasting and publishing services, religious and other community services, R&D.
Education	Pre-primary, primary, secondary and tertiary education, post-secondary non-tertiary education, education nondefinable by level, subsidiary services to education, R&D.
Social protection	Sickness and disability, old age, survivors, family and children, unemployment, housing, R&D, social exclusion.

Source: Eurostat

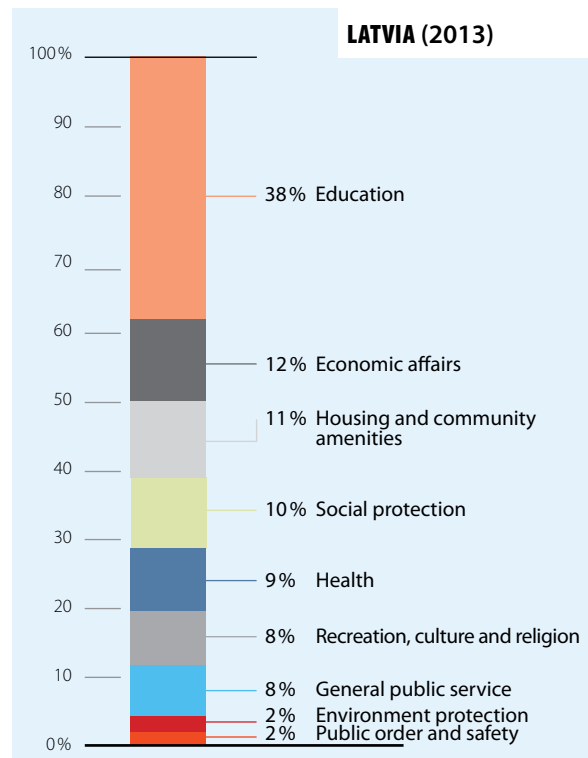
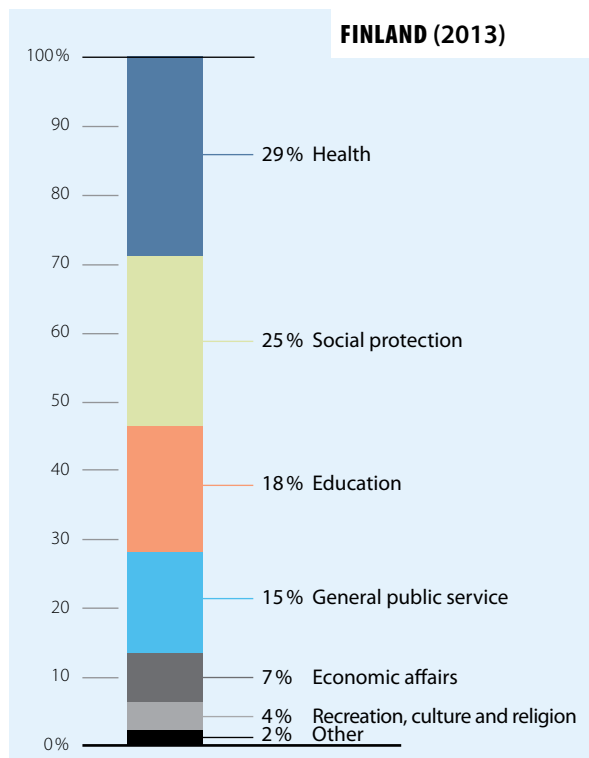
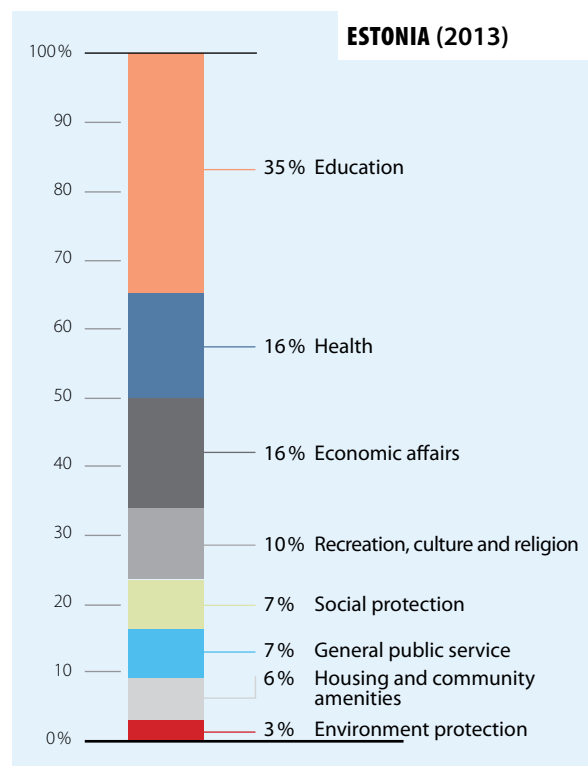
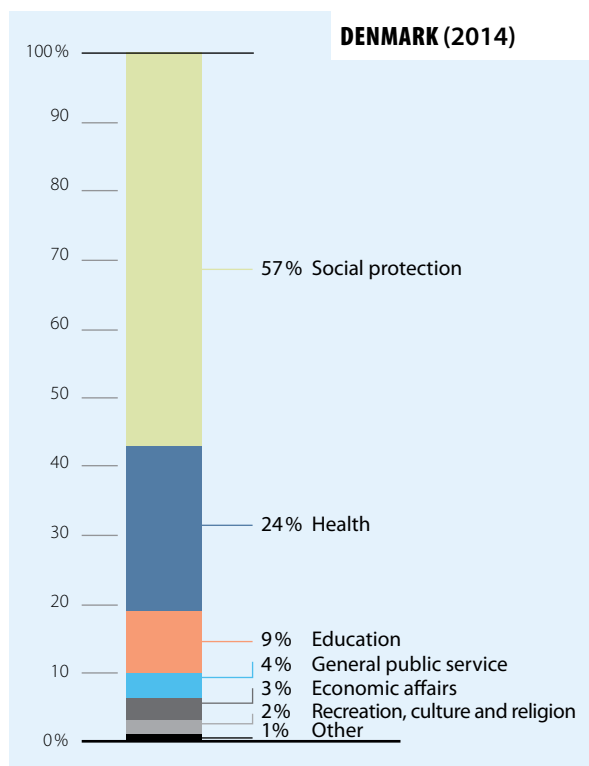
Local government revenue figures in the text are from national sources, since comparable sources based on national accounts lack detail and treat shared tax revenue as transfers. Caution should be exercised in comparing revenue figures between countries,

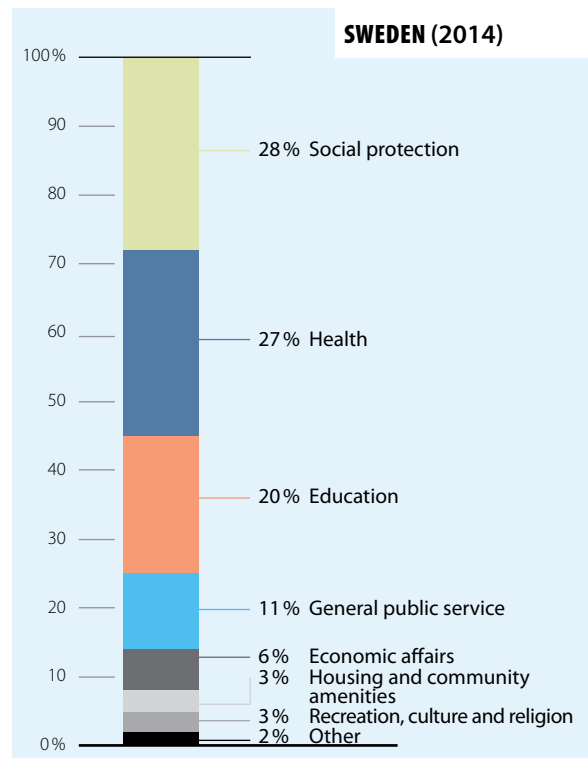
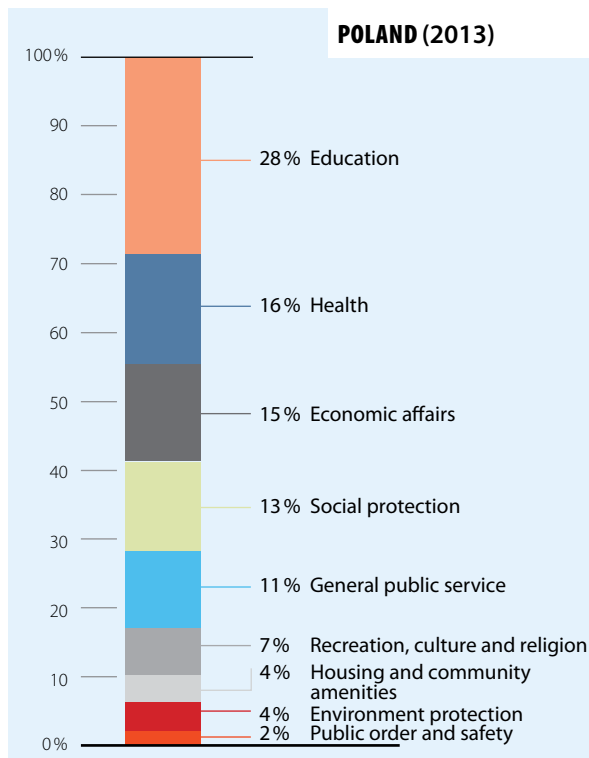
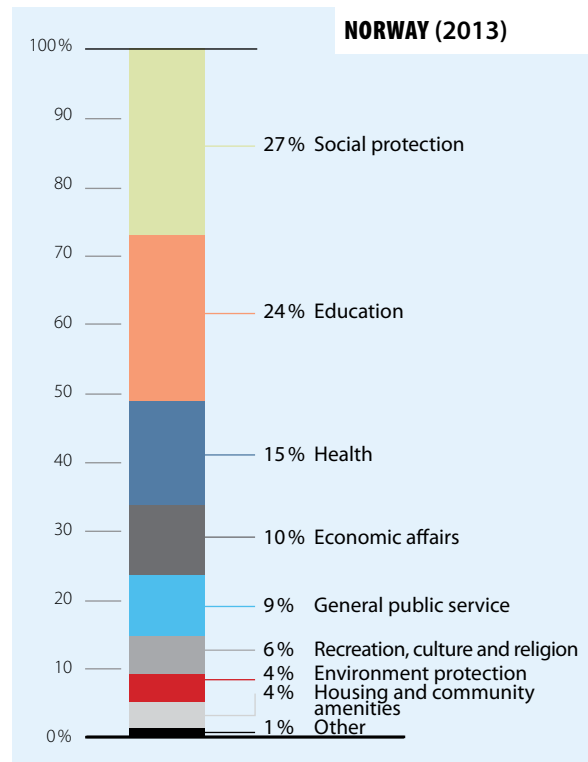
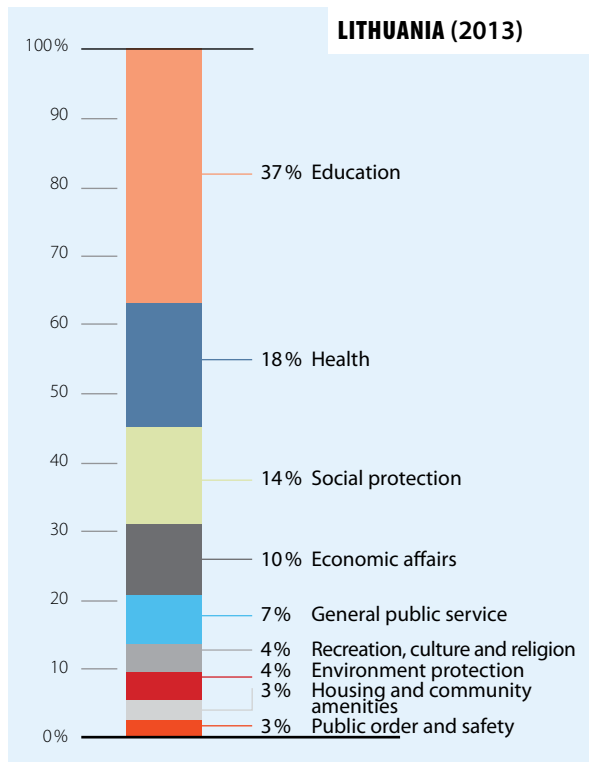
since definitions (for example, of specific versus general grants) and coverage (for example, whether borrowing is included) vary.

European Structural and Investment Fund allocations are from the European Commission.

CEMR, Planning of EU structural funds: "Is Local Government treated as a real partner?" is another useful source on local government involvement in the process in selected countries.

CONSOLIDATED FIGURES ON LOCAL GOVERNMENT EXPENDITURE





Source: Eurostat

OWN NOTES

This booklet gives an overview of the key features of local government in eight Nordic and Baltic countries: Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Poland and Sweden. The booklet was prepared by SKL International, a subsidiary of the Swedish Association of Local Authorities and Regions. SKL International manages projects in the areas of local self-government, democracy, decentralisation and local development. For more information, visit www.sklinternational.se.



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