

## Local and regional autonomy in a multi-level polity

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## Multi-level governance

- The concept and the research literature
  - multi-level
  - governance
- The EU-down-approach
- The local-up-approach
- Consequences for local and regional autonomy: Both enabling and constraining

## Enabling and constraining local and regional autonomy

- **The EU level**
  - + structural funds
  - regulation
- **The state level**
  - + the Charter of Local Self-Government
  - national regulation and controls
- **The regional level**
  - + more and stronger
  - the regional mess

- **The inter-municipal level**
  - + more efficient service production
  - democratic legitimacy
- **The municipal level**
  - + decentralization
  - fragmented structure, small size
- **The citizens**
  - + empowerment
  - welfare rights

## Adding further complexity to multi-level governance

- Shared powers and responsibilities between levels of governance
- Asymmetries
- Both hierarchies and networks
- The public-private dimension
- Citizen mobility
- Ethnic diversity

## Why this complexity now?

- Much – but not all – is new
- Major drivers:
  - Europeanization
  - Ethnically based self-governance
  - Democratization
  - Individualist values
  - The efficiency agenda

## Summarizing

- Mixed net effect on local and regional autonomy
- Layers have been added to layers – no overall strategy
- Creates problems of complexity
  - for local and regional government
  - for citizens and democratic accountability

## Suggestions

- Clarify responsibilities between levels of governance
- Coordinate territorial borders
- Improve democratic accountability
  - openness and transparency
  - direct elections when possible

## The local governments, the European funds and the Financial Autonomy (the case of Bulgaria)

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## Profile of the regional and territorial development in Bulgaria

- n Bulgaria belongs to the group of small sized country in the EU: 7,8 million people; 110,000 s.q.m (like Austria, Sweden)
- n There are 3 levels of the institutional organisation of the Bulgarian state
  - o Central government
  - o 28 regional administrations, which are agents of the central government; main functions: coordination of government policies in regional level
  - o 264 municipalities, which are local executive bodies with elective city council and mayor.
- § Second level is not elective; the difference with main EU countries
- § Despite the peculiarities, the system is functioning fairly well, but Bulgaria needs rational changes in order to explore the economy of scale and to meet the European requirements for better service supply to local communities<sup>2</sup>

## Great variety of profiles of territorial units

- n small, medium and large cities (with respect to population and territory);
- n highly, moderately and poorly developed rural areas, cities and regions in terms of economic development;
- n industrial, agricultural, touristic, semi-mountainous or multi-faceted territorial units;
- n border areas, situated along the border with Greece, Romania, Turkey, Macedonia and Serbia.
- n The diversity requires decentralization in order to adjust the supply of public goods to the specific demand(needs) of local population
- n General conclusion: Bulgaria kept high level of centralization in terms of rights, responsibilities and distribution of financial resources for local development till the start of the negotiations for EU membership

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## Strategy for decentralisation 2002-2006

- n Negotiations for membership in the EU became main driving forces for decentralisation in Bulgaria
- n Guiding point and benchmark for changes : The European Charter of local self-government and principles of subsidiarity
- n Main changes 2002-2006 :
  - n A clear differentiation between the rights and responsibilities of the central and local authorities regarding the supply of the public goods within the territory of a particular municipality
  - n Central government → local government : provision of national public goods to local citizens with corresponding financial resources
  - n Increase the rights of local government to define to local charges and obtaining bank loans and municipality bonds for capital projects
  - n More impartial and objective mechanism for defining the government grants to local communities (equalising subsidies and subsidies for capital projects)
  - n More rights to regional governors to coordinate and control the implementation of national policies on local level

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## Current state of the financial decentralisation

- n Slight increase of the budget revenues from local sources : from 32-35 up to about 40%.
- n Government grants covered apr.55-60% of the local budget
- n Period 2002-2006: decentralisation did not bring greater financial independence of the municipalities, but guaranteed in greater extent the stability and sustainability of their budgets through government subsidies
- n All communities and regions have prepared a local and regional plans for development as a part of the National plan for regional development. It was very important step because all local units have a vision, planned activities and identification of main capital project for next 5-6 years
- n Very cautious process of decentralisation! The main reason-real danger of municipality budget deficit which could threaten the stability of financial system(Bulgaria has a monetary currency board which does not permit deficit budget).

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## New Strategy for decentralisation 2006-2010

- n an increase in the amount of municipal's own revenues within the municipal budgets by greater financial autonomy supported by relative freedom to set up local taxes for real estate; increase the tax base of real estate by 50% in 2009; increase in the level of local user charges.
- n strengthening the capacity of municipalities to conduct an independent investment policy with a view to absorb the available European funds within the several operational programmes plus establishment of Government Fund for co-financing 25% of the local capital projects.
- n Delegation the rights to the municipalities to deliver a large number of social services, as well as the necessary financial resources
- n Government support to the municipalities with insufficient budget revenues (with structural budget deficit)
- n Additional package of government grants for capital project to fight against the depression 2009-2010 on local level
- n Special efforts to increase the administrative capacity of the local governments in order to absorb in greater extent the available EU funds, as well as to develop public-private partnership in local level.
- n Greater risk faced by small municipalities-due to lack of capacity to remain out of the stream of EU funds

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## Financial decentralisation and good governance at local level

- The common understanding of the financial decentralisation by local governors: "more revenues – more expenses-better service delivery"
- New challenge- good governance approach: transform local budget and EU funds into tools for carry out a mid-term policy of harmonious and sustainable development of the local communities.
- How to develop the good governance actions in local development in Bulgaria? It seems to be probably common problem for the newly accepted countries? The local governments of the old members can help. We need a tool !

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## General conclusions

- Bulgaria made cautious, but clear and pragmatic changes for decentralisation.
- The stability of local budget and local government activities were concluded as a main priority of policy making.
- The European Charter for local self-governance served as a benchmark for all changes.
- The EU funds can play the important role of building in stabiliser for the development of local economy, which is the main prerequisite for stronger financial autonomy
- The financial decentralisation should be integrated in more general and mature approach for good governance at local level. All stakeholders should be involved actively to transform the local communities in attractive place for working and living.

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**Thanks for your attention**

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