

32nd Session of the Congress of Local and Regional Authorities – 29 March 2017 - Local and regional democracy in Estonia

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Ladies and gentlemen,

Let me start by joining my co-rapporteur Henrik HAMMAR in his thanks to all our interlocutors for their cooperation and contribution to the smooth running of the visit as well as to the consultation process on the report.

I also align myself with Henrik HAMMAR and would like to reiterate how much we appreciate the Minister's of Public Administration of Estonia participation in our discussion.

Now I have to pass to a more critical part of our report.

In spite of the positive points mentioned by my co-rapporteur, we must conclude that Estonian self-government still faces a series of challenges that are in conflict with the principles of the Charter.

First, our delegation noted the lack of clear division of competences between local and state authorities.

We all know that in the absence of a clear allocation of competences, local authorities always take the risk of financing themselves delegated state competences which normally should be financed by the state level directly or by earmarked transfers from the state level.

This trend has been confirmed in Estonia. Thus, we are concerned by the absence of adequate concomitant financial resources for the transfer of competences to local authorities that entails their strong dependence on state grants and transfers.

Furthermore, own tax revenues of local authorities are very weak and the system of financing of local authorities is neither diversified nor evolutionary.

There is lack of clarity of distribution procedures, including the equalization and the special support schemes. The equalization fund seems insufficient to cover the needs of local authorities.

As a result, we noticed that in Estonia local authorities have generally small potential of own resources to execute their tasks, especially in rural areas.

I should probably recall that similar issues have already been raised in previous Congress recommendation from 2010.

Finally, in practice the consultations with local authorities on all questions directly concerning them, in particular financial issues, are not systematic. The deadlines of consultations are too short to allow for the appropriate and effective consultation, that is in due time and in an appropriate manner.

Given the content of our findings, we are of the view to recommend to the Estonian authorities the following.

First, to clarify their legislation related to the distribution of tasks and functions between local government and state.

We suggest transferring a maximum of competences to the local level with concomitant financial resources. This would go in line with the government's approach to strengthen local democracy through merged greater territorial units.

Second, we suggest changing the domestic legislation so as to increase financial autonomy of local authorities in the framework of the on-going territorial reform.

Furthermore, we recommend that the Estonian authorities increase the local share in state taxes and refrain from using the state reform on agency level as a hidden transfer of responsibilities to local authorities.

We further urge the government to increase the dotation to equalization fund and revise the criteria of its distribution, having in mind the on-going amalgamation process and important changes to the territorial structures of local self-government units.

Finally, we call on the national authorities to ensure in practice reasonable deadlines and regularity of consultations with local authorities on matters concerning them directly, especially on the reform process and local finances matters, in the sense of Article 4 paragraph 6 of the Charter.

To conclude, I would like underline that the situation of local democracy in Estonia is generally positive despite the mentioned points of concern.

I think it is very important to stress theses generally positive conclusions.

I am confident that the Estonian authorities will apply all their efforts to implement our recommendations with a view to achieving full compliance with the Charter, including within the framework of the on-going reform process.

This concludes my remarks and I hope you will adopt the draft recommendation.

I remain of course at your disposal if you have any questions.

Thank you very much for your attention.