

32nd Session of the Congress of Local and Regional Authorities – 28 -30 March 2017 - Local Democracy in Iceland

Speaking Notes – Statement by Jón Gunnarsson, Minister of Transport and Local Government (Iceland)

Dear colleagues,

Mr. Chair,

Dear members of the Congress of Local and Regional Authorities

I feel honoured and privileged to be standing here today to address the Congress on the occasion of the outcome of the Report on Local Democracy in Iceland.

The Report, as well as the preparation and the work behind it, is an important device that will contribute greatly to improve the local democracy in Iceland.

The report helps to compare and contrast the situation in each member states of the Council of Europe.

It is the common goal for all of us here to ensure that the principles of the European Charter of Local Self Government are implemented.

On this occasion I would like to thank Mr. Wienen from the Netherlands and Mr. Broz from the Czech Republic, as well as other staff members of the Council of Europe for their hard work in relation to the report.

(2)

It is good to see that the Report confirms that the level of democracy is globally satisfactory in Iceland, as demonstrated by the low level of conflicts between State and local authorities and by the good level of social services provided by the local government.

These are good news for Iceland and we are proud of this conclusion.

Many positive changes have been put in place since the last report of the Congress, published in 2010. I would especially like to mention two of these changes.

Firstly, new law on local government was implemented at the beginning of 2012. The legislation strengthen the independence of local governments, increased financial stability and improved the cooperation between State and Local governments.

The most important reform says that local governments must follow two main fiscal rules:

One is a rule of balance. This means that the running of a local government must be in balance over a three year period.

The other is a rule regarding debt. The debt ratio of local government should not be higher than 150 percent of annual revenues.

The new law also contains some new provisions regarding consultations with residents and their rights to affect the running of their local government, such as:

The obligation to hold a citizen's meeting if 10% or more of all who can vote request such a meeting

The obligation to hold a public vote on a specific issue if 20% or more of all who can vote request such a vote

These are important rules, in my opinion, but we have to wait and see how they will come into practice.

Secondly, I believe that this Report expresses how well Icelandic local Governments have worked through the financial crisis of 2008. A number of Local Governments were in difficult situation, many had borrowed in foreign currency and therefore owed that much more after the fall of the krona. At that time about 30 Local Governments were in major financial difficulties.

Today the situation is completely different. I am not saying that the running of a Local Government is easy as there are number of challenges being faced, whether it be infrastructure or housing or providing services.

This success can be accredited to various factors, among others the new regulations on finances within the law on local government.

But I think it should also be mentioned that the unity and proactive actions of the local politicians that has worked our way out of the crisis very well.

(3)

As regard to the recommendations expressed in the Report, they are very useful to us.

Firstly I would like to express that it is very important that the division of responsibilities between State and local authorities is clear. The Association of Local Authorities in Iceland has made a pretty accurate analysis of certain grey areas in this regard.

I would like to declare that I am absolutely willing to work systematically with the Local Authorities in Iceland to find ways to minimize them.

Secondly, I believe that the Local Governments should have revenue for the tasks they handle, whether statutory or optional.

The Report points out that some Local Governments only have enough finances to conduct their statutory tasks, and this concerns me.

I intend to discuss this matter with the Association of Local Authorities in Iceland – I would like to understand where the problems lie, how many Local Governments might be affected and what to do.

Thirdly, I agree on the view that the equalization system needs revision. The revision is underway and I hope that suggestions of improvement will be put forth this summer.

I would like the equalization system to be an incentive for the merger of Local Governments.

As the Report states, the merger of Local Governments in Iceland has slowed down considerably. They are 74 today, over half of which have less than 1000 residents and only 6 have over 10.000.

It goes without saying that these are very small units, which again limits the tasks they can handle.

At the general assembly of the Association of Local Government, last week, I therefore suggested that considerable amounts of money should be allocated, from the equalization system, to assist Local Governments which plan to merge.

This would both be to assist with the preparation and to finance the changes in public administration and services brought on by the merger.

Finally, I should tell you that the Icelandic government's manifesto provides that there shall be worked out a specific plan for the capital-area, in cooperation with Reykjavik City and other municipalities in the capital area.

Here we have an opportunity to discuss whether Reykjavik City or the capital area as a whole, should be granted a special legal status.

(4)
Dear delegates,

The Report suggests that Iceland should pass legislation to give the European Charter of Local Self Government legal force as a direct source of law in the domestic legal system.

We have not seen the need for this, as it is not in accordance with how international treaties are ratified in Iceland.

The Icelandic legal system is in accordance with the provisions in the Charter, but it is also good to inform you that the law on Local Government states that Authorities shall conduct their work in accordance to the Charter.

The Additional Protocol to the European Charter of Local Self-Government has not yet been ratified by Iceland.

But I will apply myself to change that. There is nothing preventing the ratification, the laws on Local Government and other legal provisions are in accordance to the protocol and therefore we should be able to finish this very soon.